



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

### Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

### About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>

# The Bankers' magazine, and statistical register









THE  
BANKER'S MAGAZINE,  
AND  
Statistical Register.

---

*"No expectation of forbearance or indulgence should be encouraged. Favor and benevolence are not the attributes of good banking. Strict justice and the rigid performance of contracts are its proper foundation."*

*"The revenue of the State is THE STATE; in effect, all depends upon it, whether for support or for reformation."*

*"Rightfully considered, no principle is more conservative than that which identifies the laborer with the capitalist."*

---

VOLUME THIRTIETH,  
OR,  
VOLUME TENTH OF THE THIRD SERIES.  
FROM JULY, 1875 TO JUNE, 1876, INCLUSIVE.

---

EDITED BY BENJAMIN HOMANS, JR.

---

NEW YORK:  
Published Monthly by I. SMITH HOMANS, No. 251 Broadway.  
1875-1876.



# GENERAL INDEX

TO THE  
THIRTIETH VOLUME (OR TENTH VOLUME, THIRD SERIES)  
OF THE  
**BANKER'S MAGAZINE & STATISTICAL REGISTER**  
FROM  
JULY, 1875, TO JUNE, 1876, BOTH INCLUSIVE.

**Complete copies of the present volume can be supplied by the publisher. Price, in numbers, \$5; or, substantially bound, \$6.50. Separate numbers will be furnished to subscribers for the completion of their volumes at fifty cents each.**

**Bound volumes will be given in exchange for the numbers, at the office, 251 Broadway, New York, at the charge of \$1.50 for binding.**

**The value of this work as a record of the Banking and Financial events of the year is greatly enhanced by having it substantially bound for reference. It furnishes the only complete epitome, in a convenient and accessible form, of the financial history of the country for the past thirty years.**

- |  |  |
|--|--|
| <p><b>Aberdare Panic in London, 198.</b><br/>Acceptance, verbal, of bills, 735.<br/>Accommodation paper, 742, 975.<br/>" indorsers, liability of, 975.<br/><b>Advantages of our National banking system, 676.</b><br/><b>Africa, public debts of, 933.</b><br/><b>Agency, the law of, 822.</b><br/><b>Aggregates of New York banks compared, 911.</b><br/><b>Alabama, banks and bankers of, 243, 576, 661, 899.</b><br/>" banks and a specie basis, 479.<br/>" debt of, 821.<br/>" failures in, 88, 600, 848.<br/>" new Constitution of, 479.<br/>" railroad progress in, 605.<br/><b>Aliens arrived in New York, 175, 176, 336, 763, 764.</b><br/><b>Allen, B. F., estate of, 154.</b><br/><b>Alleged counterfeit seven-thirties, 740.</b><br/><b>Altered and forged negotiable paper, 279.</b><br/><b>Altered checks, payment of, 572.</b><br/><b>American sea-going shipping, 118.</b><br/>" steamships, 119.<br/>" securities held abroad, 395.<br/>" abroad, market for, 841.<br/><b>Amount of National bank-notes issued, 522.</b><br/>" " redeemed, 522.<br/>" " outstand'g, 522.<br/>" bank surplus, 526.<br/>" gold available for specie payments, 819.</p> | <p><b>Amount of specie in the United States, 325, 819.</b><br/><b>Annual meeting of New York Clearing-House, 397.</b><br/><b>Antimony, production of, in Europe, 408.</b><br/><b>Are the risks of business increasing? 587.</b><br/><b>Are certified checks taxable? 864.</b><br/><b>Argentine monetary unit, the new, 730.</b><br/><b>Arizona, banks and bankers in, 899.</b><br/>" failures in, 848.<br/><b>Arkansas, failures in, 88, 600, 848.</b><br/>" railroad progress in, 605.<br/>" banks and bankers of, 667, 899.<br/><b>Arrests, number of, in New York, 770.</b><br/><b>Arrival of immigrants in New York, 175, 176, 336, 763, 764.</b><br/><b>Asia, public debt of, 933.</b><br/><b>Asiatic sea-going shipping, 118, 119.</b><br/><b>Aspects, financial, of the President's message, 505.</b><br/><b>Aspects, some, of the Aberdare panic, 198.</b><br/><b>Assay office, New York, large scales in, 478.</b><br/><b>Assignats, the French, 614.</b><br/><b>Association of counterfeiters, 156.</b><br/><b>Attwood, Mr., on production and prices, 615.</b><br/><b>Australia, exports of, to Great Britain, 200.</b><br/>" imports of, " 200.<br/>" public debt of, 933.<br/><b>Austria, cereal crops of, 172.</b><br/>" commerce of, 786.<br/>" company formation in, 787.<br/>" exports of, 786.</p> |
|--|--|

HQ 1501  
B3  
(V. 30)

474843

- Austria, growth of debt, 671.  
 " imports of, 786.  
 " National bank of, 712.  
 " savings banks of, 94.  
 " sea-going shipping of, 118.  
 " " steamships of, 119.  
 Austrian paper money and the crisis of 1873, 711, 785.  
 Award of Geneva bonds, 902.
- Bailey, Jr., Mr. D. P., on Austrian**  
 paper money, &c., 711, 785.  
 " on Massachusetts savings banks, 963.  
 " on Russian commerce and monetary system, 365.
- Balance of trade, theory of, 780.  
 Balance sheet of the fiscal year, 169.  
 Baltimore, banks of, 87, 403, 576.  
 " Third National Bank of, *vs.* Boyd, 87, 892.
- Bank clerks' associations, 136, 470, 554, 645, 648.
- Bank, a National, 450.  
 " capital, taxes on, 428.  
 " checks, the law of, 729, 821, 887.  
 " circulation, contraction of, 81, 914.  
 " " bonds as security for, 521.  
 " Clerks' Association of Missouri, 136.  
 " Clerks' Mutual Benefit Association of New York, 554, 645.  
 " Clerks' Beneficial Association of Philadelphia, 648.  
 " deposits, should they bear interest? 596.  
 " directors, female, 479.  
 " directors, liability of, 575.  
 " dividends, 154.  
 " examiners, powers and duties of, 420, 678, 754.  
 " a failing, notes payable at, 651, 897.  
 " locks, 743, 744.  
 " misuse of the name, 743.  
 " National, dividends, 522.  
 " " surplus, amount of, 526.  
 " " increase of, 526.  
 " note contraction law, operation of, 81, 330.  
 " note companies of New York, 773.  
 " notes, new National, 236.  
 " notes, National, amount of, and outstanding, 522.  
 " notes, National, amount of, re-deemed, 522.  
 " notes, National, number of, issued and outstanding, 522.  
 " notes, National, number of, re-deemed, 522.  
 " officers and bankers, convention of, 67, 146.  
 " of British North America, 72.  
 " of California, 320, 324, 399.  
 " of England, 72, 695, 930.  
 " of Montreal, annual meeting, 72, 990.  
 " of France, circulation of, 362.  
 " of North America (Philadelphia), 529.
- Bank of Prussia, circulation of, 351.  
 " " bullion held by, 351.  
 " of the State of New York, failure of, 754, 821, 829, 902.  
 " of the United States, the first, 530.  
 " " " the second, 623.  
 " presidents, centennial meeting of, 68.  
 " reform in Chicago, 903.  
 " robbery, 70, 149, 320, 321, 479, 662, 740, 741, 742, 822, 905, 988.  
 " shares, taxation of, 917.  
 " statements, New York, Boston, and Philadelphia, 76, 164, 245, 325, 406, 487, 581, 669, 749, 829, 911.  
 " structures in New York, 235.  
 " surplus, growth of, 590.  
 " " should it be taxed? 589.  
 " " taxation of, 487, 582, 640.  
 " system, National, advantage of our, 676.  
 " taxation and its evils, 916.  
 " the Hamburg, 401.
- Banker, what is the proper business of a? 179.
- Bankers and bank officers, convention of, 67, 146.  
 " and Bank Clerks' Mutual Benefit Association of Pittsburg, 470.  
 " and banks of the United States, 899.  
 " banks, and savings banks, 74, 158, 241, 243, 402, 481, 578, 665, 745, 827, 906, 993.  
 " taxation of, 991.
- Bankers' centennial fund, 314.
- Banking and industrial credit, 17.  
 " and financial items, 68, 152, 235, 318, 397, 477, 557, 661, 730, 821, 900, 988.  
 " and speculation in Russia, 620.  
 " capital of California, 740.  
 " element of life insurance, 49.  
 " English, 107.  
 " international and currency, 550.  
 " in the olden time, 41.  
 " in Pompeii, 734.  
 " law, first, of Switzerland, 706.  
 " in Vienna, growth of, 787.  
 " law, German, 185.  
 " laws of the money markets, 329.  
 " profits, why are they so low? 918.  
 " reform, International, and specie payments, 249.  
 " system, National, defense of the, 377, 489.  
 " system of Great Britain, 691.  
 " " Switzerland, 97.  
 " " our, and its dangers, 753.  
 " " National, growth of, 328.  
 " " "wildcat," 741.
- Bankruptcy, exchange of securities before, 740.  
 " statistics of, in Great Britain, 418.  
 " of Duncan, Sherman & Co., 573.
- Banks and bankers, number of, in each State, 899, 988.



- Banks** and bills of lading, 539.  
 " and monetary ease, 833.  
 " Boston, statements of, 77, 164.  
 " collecting, responsibility of, 667.  
 " Discount, of London, 201.  
 " German, circulation of, 314.  
 " German, list of, 314.  
 " Gold, of California, 220.  
 " joint-stock, of London, 201.  
 " land mortgage, of Russia, 247.  
 " land mortgage, 379.  
 " London joint-stock, profits of, 523.  
 " National, amount and increase of surplus, 526.  
 " " and real estate security, 396.  
 " " and safe deposits, 222.  
 " " and State laws, 808.  
 " " as dealers in bonds, 230.  
 " " bonds deposited at Washington, 246, 325, 406, 488, 671, 751.  
 " " circulating notes discharged and redeemed, 516.  
 " " circulation outstanding, 246, 325, 406, 488, 671, 751, 999.  
 " " consolidation of, 129.  
 " " dividends of, 522.  
 " " failed, details of, 525.  
 " " issues of, 522.  
 " " liquidation of, 398.  
 " " liabilities of, 517, 992.  
 " " names of, 988.  
 " " of Pennsylvania and the usury laws, 723.  
 " " of the United States, 66, 234, 738, 992.  
 " " new, [see OFFICIAL BULLETIN].  
 " " of New York city, 161.  
 " " resources of, 517, 992.  
 " " redemption of, 522.  
 " " taxation of, 406, 901.  
 " " usury by, 412, 726, 981.
- Banks, new**, 74, 158, 241, 323, 402, 481, 578, 665, 745, 827, 906, 993.  
 " New York city, statements of, 76, 164, 245, 325, 406, 487, 581, 669, 749, 829, 910, 997.  
 " New York State, liabilities and resources, 163, 776.  
 " of Canada, 72, 79, 156, 401, 824, 991.  
 " of St. Louis, 154, 663.  
 " our, and their fiscal burdens, 835.  
 " Philadelphia, [see PHILA.]  
 " popular, of Continental Europe, 7.  
 " responsibility of for collaterals, 892.  
 " savings at home and abroad, 91.  
 " savings, [see SAVINGS BANKS].  
 " savings, of Boston, 880.  
 " savings, of California, 220.  
 " savings, of Massachusetts, 963.  
 " savings, of New Jersey, 94.  
 " savings, of New York, 246, 998.  
 " savings, of Rhode Island, 94, 664.  
 " savings, reduction of interest, 574.  
 " small, organization of, 816.  
 " stockholders of, in Congress, 988.  
 " suspensions of, [see FAILURES].
- Barre, Vt., bank robbery at, 149.  
 Baxter Bank, Kansas, robbery of, 903.  
 Bell, Mr. Lothian, on the labor question, 34.  
 Belgium, cereal crops of, 172.  
 " exports of, to Great Britain, 200.  
 " imports " " 200.  
 " shipping of, 118, 119.  
 " wages in, 34.  
 Beneficial Association of Philadelphia Bank Clerks, 648.  
 Benton, Thomas H., on the power of Congress, 960.  
 Berlin, new Imperial Bank in, 905.  
 Bills and notes, abolition of grace on, 60.  
 Bills of exchange, law of, 142, 280.  
 " unification of laws on, 462.  
 Bills, verbal acceptance of, 735.  
 Bills of lading, law of, 478, 559, 565, 896.  
 " new law in Maryland, 989.  
 " surrender of, 565, 896.  
 Block, Maurice, on Swiss banking, 97.  
 Board of Trade and monetary panics, 1.  
 " National convention of, 71.  
 Bold bank robbery, 70.  
 Bondholders, French, number of, 361.  
 Bond, convertible, and currency scheme, 371.  
 Bonamy Price on English credit crisis, 205.  
 Bonds, calls of, 69, 152, 235, 318, 398, 477.  
 " city and county, 572, 582.  
 " funding of, 916.  
 " Geneva award of, 902.  
 " held as security for bank circulation, 521.  
 " town, 822.  
 " Missouri renewed, 237.  
 " National bank, deposited at Washington, 246, 325, 406, 488, 671, 832, 912.  
 " National banks as dealers in, 230.  
 " of defaulting States, 327.  
 " our railroad, abroad, 404.  
 " railroad, 404, 582.  
 " railroad, defaulting, in Europe, 582, 845.  
 " seven-thirty, alleged counterfeit, 740.  
 " six per cent. gold, of New York city, 244.  
 " three-sixty-five, of District of Columbia, 238, 400, 570, 572.  
 " United States, description of, 810.  
 " " " quotations of, 150, 652, [see MONEY MARKET].
- Bonnet, Victor, essays by, 64, 65.  
 Book notices, 62, 555, 731, 985.  
 Boston banks, statements of, 77, 164, 245, 325, 406, 487, 581, 669, 749, 829, 911, 998.  
 " failures in, 848.  
 " real estate in, 236.  
 " savings banks of, 880.  
 " sub-treasury vaults, 236.  
 Bowles Bros. scheme of settlement, 479.  
 Boyd, William A., vs. Third National Bank, 87.  
 Braithwaite, Mr., on country bank clearing-houses, 15.

- Branch Mint, The, 661.  
 Brassey, Mr., on the labor question, 34.  
 Brazil, exports and imports of, 200.  
 Breadstuffs, export movements of, 171.  
 Brennan, Hon. Daniel, death of, 832.  
 Bristow, Secretary, and the purchase of silver, 165.  
 " " and the balance sheet, 169.  
 " " and the means of resumption, 165.  
 British emigrants, destinations of, 174.  
 British North America, Bank of, 72.  
 " " exports and imports of, 200.  
 British revenue, deficit in, 862.  
 Bullion held by bank of Prussia, 351.  
 " product of the United States, 795.  
 " silver, purchased by the Treasury, 751.  
 Burglars, safeguards against, 744.  
 Burglary of banks, 399, 479, 741.  
 Burhaus, Colonel Benjamin P., death of, 168.  
 Business risks, are they increasing? 587.
- California, banks and bankers of,**  
 69, 74, 152, 157, 236, 320, 399, 402, 481, 576, 662, 665, 740, 825, 899, 907.  
 " banking capital of, 740.  
 " failures in, 88, 320, 324, 600, 848.  
 " First National Gold Bank of Stockton, 69.  
 " gold banks of, 152, 236.  
 " mortgage taxes in, 679, 740, 857, 922.  
 " railroad progress in, 605.  
 " savings banks of, 94, 220.  
 " Supreme Court decisions of, 857, 887.  
 " The Bank of, 320, 324, 399.  
 Calls of bonds, 69, 152, 235, 318, 398, 479.  
 Can a National bank take mortgage notes? 61.  
 Can a State bank transfer its right of action? 145.  
 Can evasion of taxes be prevented? 772.  
 Canada, banks of, 72, 155, 156, 240, 321, 401, 480, 824, 991.  
 " bank amalgamation, 321, 991.  
 " failures in, 600.  
 " saving and loan societies of, 263, 480.  
 " trade of, 990.  
 Canadian Bank of Commerce robbed, 321.  
 " counterfeits, 480.  
 " loan, 670.  
 Capital, banking, of California, 740.  
 " bank, taxes on, 428.  
 " credit, and real estate, 422.  
 " destruction of by failures, 416.  
 " does currency contraction destroy it? 850.  
 " in Missouri includes discounted paper, 823.  
 Carson City, Nevada, coinage at, 78.  
 Cash reserves as a guarantee of bank solvency, 923.
- Cash, The, in the Treasury, 818.  
 Cashier and president, changes of, 73, 157, 242, 322, 403, 481, 576, 666, 747, 825, 908, 994.  
 Cashier, a venerable, 396.  
 Cashiers, liability of, 575.  
 Castle Garden, expenses of, 175.  
 Centennial and the banks, 397, 1000.  
 " Exposition, The, 997, 1000.  
 " fund, bankers', 314, 397.  
 " meeting of bank presidents, 68.  
 " National Bank of Phila., 904.  
 " notes redeemed, 66.  
 Central Pacific Railroad, earnings of, 672.  
 Century, A, of finance in the United States, 527, 623, 804, 869, 988.  
 Cereal crops of the world, 172.  
 Cereals, production of, in the United States, 423.  
 Certificates of stock, engraved signatures on, 69.  
 Certification of " raised checks," 478, 989.  
 Certified checks, are they taxable? 864.  
 Chalmers, Dr., on population, 767.  
 Changes, dissolutions, or discontinuances, 75, 158, 243, 322, 404, 484, 577, 667, 746, 828, 907, 995.  
 Changes in funded and unfunded debt, 170.  
 Changes of president and cashier, 73, 157, 242, 322, 404, 482, 576, 666, 747, 825, 908, 994.  
 Charges for minting in England, France, and Germany, 188.  
 Checks, altered, payment of, 572, 989.  
 " bank, the law of, 280, 729, 821, 887.  
 " certified, are they taxable? 864.  
 " country, rules for clearing, 12.  
 " crossed, 632.  
 " effect of delay in presenting, 142.  
 " extension of the use of, 271.  
 " forged, recovery of money paid on, 385.  
 " National banks and Internal Revenue officers, 77.  
 " payment of, after death of drawer, 651.  
 " " raised," certification of, 478, 989.  
 " unstamped, search for, 398.  
 " unstamped, right to search for, illegal, 77, 319.  
 Checks to emigration, 689.  
 Cheque Bank, London, 271, 664, 744.  
 Chevalier, M., on the labor question, 33.  
 Chicago, banks and bankers of, 242, 404, 574, 577, 667, 735, 825, 903, 904, 907, 908.  
 " bank reform in, 903.  
 " failures in, 404, 667, 848, 904.  
 Child & Co., London, history of, 41.  
 Chili, exports and imports of, 200.  
 China, exports and imports of, 200.  
 Chronometer locks, 743, 744.  
 Cincinnati, banks and bankers of, 238, 575, 576, 667.  
 " failures in, 848.  
 Circulars, official, of Treasury Department, 473.  
 Circulation of the Bank of France, 362.  
 " " Prussia, 351.  
 " of German banks, 314.

- Circulation of National banks and legal-tender notes, 82, 139.  
 " outstanding, of National banks, 246, 325, 406, 488, 671, 751, 832.  
 " issued in the several States, 519.  
 " retired, 519.  
 Circulating notes of National banks redeemed and destroyed, 516.  
 Circulation, our paper money, 81, 817.  
 Clearing-House, London, Mr. McCulloch on, 10.  
 " houses at home and abroad, 10.  
 " " country bank, legality of, 15.  
 " House of Boston, 911.  
 " " Cleveland, 334.  
 " " Kansas City, 84.  
 " " London, 202.  
 " " Louisville, 662.  
 " " Lowell, 990.  
 " " New Orleans, aggregate business of, 84.  
 " " New York, 77, 334, 397, 910.  
 " " Philadelphia, aggregate business of, 84, 911.  
 " " San Francisco, 741.  
 " " Worcester, 334.  
 " methods at home and abroad, 10.  
 Cleveland Clearing-House Association, 334.  
 Coal, production of, 408, 985.  
 Coe, Mr. George S., on the financial history of the war, 536.  
 Coin, amount of gold and silver in use as, 457.  
 " received for customs in New York, 80, 584.  
 Coinage, Congressional legislation on, 494.  
 " German, 581.  
 " silver, Albert Gallatin on, 214.  
 " token, 823.  
 " United States, in June, 78.  
 " weight and fineness of, 865.  
 Collateral security, warehouse receipts as, 885.  
 " unusual, 159.  
 Collecting banks, responsibility of, 667.  
 " impositions on, 980.  
 Collections payable at a failing bank, 651.  
 " "No protest," 990.  
 Collins, Mr. D. C., on political economy, 731.  
 Colorado, banks and bankers of, 323, 402, 576, 745, 827, 899.  
 " failures in, 88, 600, 848.  
 " murder of Mr. Jacob Snider in, 153.  
 " railroad progress in, 605.  
 Columbia, S. C., suspension of Bank and Trust Company of, 154.  
 Commerce and the Suez Canal, 269.  
 " of Austria, 786.  
 " foreign, of Russia, 366.  
 " of the United States, 739.  
 Commercial failures and their indications, 847.  
 " See FAILURES.  
 Commercial Loan Company of Chicago, suspension of, 574.  
 Commissioners, mining, reports of, 797.  
 " of Emigration, report of, 175.  
 " of Emigration, operations of, 854.  
 Committee on Foreign Loans, report of, 207.  
 Company formation in Austria, 787.  
 Comparison of failures, 849.  
 " of three years' failures, 599.  
 Comparative depreciation of bank issues, 450.  
 " price of gold, 167.  
 Comptroller of the Currency, report of, 517.  
 Condition, financial, of United States railroads, 122.  
 " of New York State savings banks, 246.  
 Confederate currency, contracts in, 478.  
 Conflict, the usury, 398.  
 Conflicting decisions, 398.  
 Congress and Continental money, 528.  
 " " resumption, 583, 585.  
 " act of, on silver, 900.  
 " bank stockholders in, 988.  
 " power of, to coin money, 953.  
 Connecticut, banks and bankers in, 157, 236, 667, 745, 825, 899.  
 " failures in, 88, 600, 848.  
 " new holiday law, 153.  
 " railroad progress in, 605.  
 " savings banks in, 94.  
 " taxation in, 921.  
 Consolidation of Canadian banks, 156.  
 " the National banks, 129.  
 Constitution of Texas, the new, 789.  
 Continental Europe, popular banks of, 17.  
 " money, depreciation of, 527.  
 " Jefferson on, 528.  
 Contracts in Confederate currency, 478.  
 " stock, 819.  
 Contraction of paper money, 82, 752, 914.  
 " the currency, does it destroy capital? 850.  
 Convention of bank officers and bankers, 67, 146.  
 " of the National Board of Trade, 71.  
 Convertible bond and currency scheme, 371.  
 " currency, a voice for, 890.  
 Co-operative Credit Bank of London, 824.  
 Copper, production of, in Europe, 408.  
 Corporate authority, limitations of, 658.  
 Correspondents, inquiries of, 60, 395, 651, 897.  
 Counterfeit seven-thirty bonds, alleged, 740.  
 Counterfeiters, association of, 156.  
 Counterfeits, new, 479, 480, 905.  
 Country bank clearing, Sir John Lubbock on, 11.  
 " " clearing-houses, legality of, 15.  
 Country checks, rules for clearing of, 12.  
 County bonds, 572, 582.  
 Court of Appeals, Maryland, 230, 892.  
 Court of Appeals, New York, 222.  
 Crawford, William H., Secretary, 623.

- Credit, banking and industrial, 17.  
 " banks, organization of, 210.  
 " capital and real estate, 422.  
 " company, a land, 903.  
 " crisis in England, Bonamy Price on, 205.  
 " Foncier of London, 326.  
 " Mobilier, The, and the Philippant panic, 94.  
 " our National, Mr. McCulloch on, 3.  
 " system and real estate, 263.  
 Criminals, nativity of, 770.  
 Crisis, English credit, Bonamy Price on, 205.  
 " of 1873 and Austrian paper money, 711, 785.  
 Crops, cereal, of the world, 172.  
 Crossed checks, 632.  
 Crump, Arthur (of London), on stock gambling, 758.  
 Currency, Confederate, contracts in, 478.  
 " contraction of, 914.  
 " contraction, does it destroy capital? 850.  
 " deficiency of, 752.  
 " International banking and, 550.  
 " scheme and convertible bonds, 371, 890.  
 " the greenback, and Mr. Spaulding, 438.  
 " the printing of, 773.  
 Customs receipts in gold, 167, 514, 584.
- Daily Premium on Gold at New York,** 74, 159, 240, 321, 403, 484, 579, 666, 746, 828.  
 Dakota, banks and bankers in, 402, 899.  
 " failures in, 848.  
 " railroad progress in, 605.  
 Dallas, Mr. Secretary, 534, 623.  
 Dangers of our banking system, 753.  
 Danube, cereal crops of the, 172.  
 Days of grace in Louisiana, 822.  
 Deaths of bank officers or bankers, 70, 71, 80, 152, 153, 154, 168, 236, 248, 328, 398, 408, 488, 574, 575, 584, 661, 672, 752, 823, 824, 832, 990, 1000.  
 Debt, French, refunding of the, 45.  
 " funded, changes in, 170, 916.  
 " of Alabama, 821.  
 " Georgia, 662.  
 " Great Britain, 123.  
 " Kentucky, 662.  
 " Massachusetts, 663.  
 " New Jersey, 664.  
 " Ohio, 664.  
 " Pennsylvania, 664.  
 " Rhode Island, 744.  
 " Spain, 71.  
 " the State of New York, 617.  
 " the United States, 160, 317, 475, 668, 820, 916, 996.  
 " unfunded, changes in, 170.  
 Debts and constitutional restrictions, 946.  
 " National, and the London Stock Exchange, 671.  
 " public, growth of, 671, 934.  
 Decisions, legal, digest of recent, 891.
- Decisions of the U. S. Supreme Court, 466, 478, 559, 565, 582, 674, 735, 991.  
 " Treasury, 156.  
 Decline in emigration, 335.  
 Defalcation in bonds, 238, 401, 743.  
 Defalcations of bank officers, 238, 401, 743, 822.  
 Defaulting railroads, bonds of, in Europe, 582, 845.  
 Defaulting States, bonds of, 327.  
 Defense of the National banking system, 377.  
 Deficiency of currency, 752.  
 Deficit in British revenue, 862.  
 Definition of forgery, 886.  
 Delaware, banks and bankers in, 825, 899.  
 " failures in, 88, 600, 848.  
 " railroad progress in, 605.  
 Delay, effect of, in presenting checks, 142.  
 Denmark, cereal crops of, 172.  
 " exports of, to Great Britain, 200.  
 " imports of, " " 200.  
 " shipping of, 118, 119.  
 Deposit of National bank bonds at Washington, 246, 406, 488, 671, 751.  
 Depositors of New York and New England savings banks, 332.  
 Deposits, bank, should they bear interest? 596.  
 " New York and New England savings banks, 332.  
 " safe and National banks, 222.  
 " savings bank and our operations, 332.  
 " special liability for, 664.  
 " special, National banks not liable for, 53.  
 Depreciation, comparative, of State and National bank issues, 450.  
 " of Continental money, 527.  
 Description of United States bonds, 870.  
 Destination of British Emigrants, 174.  
 Destruction of capital by failures, 416.  
 Detroit, population, banks, &c., 71.  
 Digest of recent legal decisions, 891.  
 Directors, notice of election of, 720.  
 Discontinuances, 75, 158, 243, 322, 404, 481, 577, 667, 746, 828, 907, 995.  
 Discount companies, London, 201.  
 " registry suggested, 480.  
 Dissolutions, [see DISCONTINUANCES].  
 District of Columbia, banks and bankers in, 157, 899.  
 " " failures in, 88, 600, 848.  
 " " railroad progress in, 605.  
 " " 3-65 bonds, 238, 400, 570, 572.  
 Dividends, bank, 154.  
 " English, 166.  
 " of National banks, 522.  
 " of suspended banks, 400, 574.  
 Division of land in England, The, 941.  
 Dollar, The, weight and fineness of, 346, 347, 494.  
 Double standard, the, 214, 345.  
 Drafts on foreign banks liable to stamp tax, 156.  
 Drew, Daniel, failure of, 761, 821.

Duane, William J., Secretary, 627.  
 Duncan, Sherman & Co., theft from, 69.  
 " " failure of, 238, 573, 903.  
 Dutch monetary law, new, 984.  
 " sea-going shipping, 118, 119.

### Earnings of Central Pacific Railroad, 672.

East Indies, exports and imports of, 200.  
 Eastern Townships Bank, Canada, 72.  
 Economic sketches, No. 1, 257.  
 Effect of delay in presenting checks, 142.  
 Egypt, exports and imports of, 200.  
 Egyptian and Turkish sea-going shipping, 118.  
 " " steamships, 119.

Egyptian securities, loss on, 841.  
 Elections, notice of, 720.  
 Elliott, Judge Jehu T., death of, 824, 832.  
 Ellis, Superintendent, reports of, 775, 777, 800.

Emigrants arrived in New York, 175, 176, 336, 763.  
 " British, destinations of, 174.

Emigration, checks to, 689.  
 " decline in, 335.  
 " and public wealth, 763.  
 " Supreme Court on, 854.

Engineering, financial, 189, 353.

England, Bank of, 695, 930.  
 " " clerks in, 72.  
 " bank-note circulation in, 114.  
 " debt of, 932.  
 " dividends in, 166.  
 " division of land in, 941.  
 " failures in, 1, 166.  
 " finances of, 123, 932.  
 " foreign manufacturers in, 114.  
 " growth of taxation in, 863.  
 " land areas in, 942.  
 " number of land-owners, 422, 941.  
 " savings banks in, 92.  
 " statistics of bankruptcy in, 418.

English banking, 107, 691.  
 " charges for minting, 188, 866.  
 " credit crisis, Bonamy Price on, 205.

Engraved signatures on stock certificates, 69.

Errors in our financial policy, 438, 442, 445.  
 Errors in protesting notes, 908.

Europe, annual investments in, 591.  
 " bonds of defaulting railroads in, 582.  
 " Continental, popular banks of, 7.  
 " public debts of, 933.  
 " savings banks of, 94.  
 " Southern, cereal crops of, 172.

Evans, Mr. Jason, death of, 824.

Evasion of taxes, can it be prevented? 772.

Examiners, bank, powers and duties of, 420, 678, 754.

Exchange, bills of, law of, 142.  
 " bills of, unification of laws on, 46, 71.  
 " foreign, 77.  
 " foreign, stamps on, 318.  
 " internal, 217.

Exchange, notes payable in, 897.  
 " of securities before bankruptcy, 740.

" on London, 76, 164, 244, 324, 405, 485, 580, 669, 749, 829.

Exchange, the Stock, of Philadelphia, 904.

Exchanges, the foreign, 274, 865.

Exchequer bills and our war finance, 123.

Expenditures of the Treasury, 170.

Expenses of Commissioners of Emigration, 175.

Export movement of breadstuffs, 171.

Exports, foreign, from New York, 80, 167, 584.

" of Austria, 786.

" European Russia, 365, 366.

" France, 327.

" gold, 78, 168.

" Great Britain, 200.

" produce from New York, 326.

" Russian grain to Great Britain, 364.

" United States, 247.

Extension of the use of checks, 271.

Extensive land frauds, 572.

### Failing bank, notes payable at, 651, 897.

Failure of Daniel Drew, 821.

" Duncan, Sherman & Co., 238, 903.

" National banks, details of, 525.  
 " the Strousberg, 499, 620, 991.

Failures, commercial, and their indications, 847.

" comparison of, 337, 599.

" destruction of capital by, 416.

" during the current year, 337.

" in Canada, 340.

" England, 166.

" New York and the United States, 341, 599, 848.

" the various States, 338, 600.

" mercantile, 88, 337, 599, 847.

" of banks and bankers, 72, 75, 154, 158, 237, 243, 320, 323, 404, 484, 574, 577, 667, 746, 828, 907.

" of savings banks, 399, 573, 741.

" recent London, 240.

Farmers and Mechanics' Bank of Buffalo, 412, 466.

Females as bank directors, 479.

Federal taxation, per head, 617.

Finance, a century of, in the United States, 527, 623, 804, 869, 988.

" Franklin on, 527.

" French, two problems in, 361.

" our war and exchequer bills, 123.

Finances of France, 78, 584.

" Georgia, 662.

" Kentucky, 662.

" Maine, 662.

" Massachusetts, 663.

" Minnesota, 664.

" New Jersey, 664.

" Ohio, 664.

" Pennsylvania, 664.

" Rhode Island, 744.

" Spain, 71.

- Financial and industrial progress in Russia, 364.
- " aspects of the President's message, 505.
- " condition of United States railroads, 122.
- " criticism, 70.
- " distress of Spain, 71.
- " engineering, 189, 353.
- " history of the war, 536.
- " items, banking and, 68, 152, 235, 318, 397, 477, 661, 739, 821, 900.
- " law, International, 448, 632.
- " policy, our errors in, 438.
- " situation, our, 129.
- First banking law of Switzerland, 706.
- " suspension of specie payments in the United States, 534.
- Fiscal burdens of our banks, 835.
- " year, balance sheet of, 169.
- " " Treasury receipts and expenditures, 170.
- Five-twenty bonds, calls for, 69, 152, 235, 318, 398, 477.
- Florence, former trade of, 259.
- Florida, banks and bankers in, 899.
- " failures in, 88, 600, 848.
- " railroad progress in, 605.
- Fluctuations in gold, old and new, 281, 342, 430, 652.
- " of the New York Stock Exchange, 150, 656.
- Foreign commerce of Russia, 366.
- " " the U. S., 739.
- " corporations, National banks as, 988.
- " exchange, see NOTES ON THE MONEY MARKET.
- " exchange, stamps on, 318.
- " exchanges, the, 274.
- " exports from New York, 80, 167, 584.
- " exports to Great Britain, 200.
- " imports at New York, 79, 167, 584.
- " Loans Committee, report of, 207.
- Forged and altered negotiable paper, 279.
- " checks, recovery of money paid on, 385.
- " signatures, liability for, 60.
- Forgery, definition of, 886.
- " unsuccessful, 237.
- Formation of companies in Australia, 787.
- Fourth National Bank of New York city and its condition, 319.
- Fractional notes, 483.
- France, Bank of, circulation of, 65, 362.
- " cereal crops of, 172.
- " charges for minting, 188.
- " Credit Foncier of, report of, 5.
- " example of, 64.
- " exports of, 327.
- " " to Great Britain, 200.
- " finances of, 64, 65, 78, 584.
- " growth of debt, 671.
- " imports of, 327.
- " " to Great Britain, 327.
- " savings banks of, 91, 94.
- " wages in, 94.
- Franklin and finance, 527.
- Frauds by bank officers, 69, 238, 320, 575, 741, 822.
- Frauds on banks and bankers, 69, 237, 238, 240, 401, 822, 902.
- Free banking, operation of the law of, 331.
- Freedman's Savings and Trust Co., 400.
- French bondholders, number of, 361.
- " charges for minting, 188.
- " debt, refunding of the, 45.
- " exports, 327.
- " finance and the Morgan loan, 78.
- " finance, Mr. McCulloch on, 46.
- " finance, two problems in, 361.
- " finances, 64, 65, 584.
- " imports, 327.
- " indemnity, payment of, 64.
- " rentes, value of, 362.
- " sea-going shipping, 118, 119.
- Funded debt, changings in, 170, 916.
- Funding loan, the new, 591.
- Funding, progress of, 916.
- Gallatin, Albert, and finance, 529.
- " " on silver coinage, 214.
- Gambling in stocks, who profits by it? 756.
- Ganson, Mr. John S., death of, 328.
- Garfield, General James A., on inflation and resumption, 698.
- Geneva award bonds, 902.
- George, Mr. John, death of, 832.
- George, Mr. Joshua, death of, 80.
- Georgia, banks and bankers of, 74, 242, 322, 403, 481, 576, 899, 906, 993.
- " debt of, 662.
- " failures in, 88, 600, 848.
- " railroad progress in, 605.
- " statistics of, 236.
- German banking law, 185.
- " charges for minting, 188.
- " Empire, growth of debt of, 671.
- " immigrants in New York, 176.
- " sea-going shipping, 118, 119.
- Germany, cereal crops of, 172.
- " coinage in, 251, 349, 581.
- " credit banks of, 211.
- " exports of, to Great Britain, 200.
- " Imperial Bank of, 246.
- " imports of, from Great Britain, 200.
- " new banking law of, 304.
- " popular banks of, 8.
- " railways in, 583.
- " wages in, 35.
- Gibbons, J. S., on a century of finance, 527, 623, 804, 869.
- Gibson, George R., on real estate, credit, and capital, 422.
- " " on the usury question, 634.
- Gold, amount of, available for specie payments, 819.
- " appreciation of, 915, 936, 999.
- " and silver mines, yield of, 595.
- " " production, consumption, and amount in use, 457.
- " " process of parting, 476.
- " " relative values of, 214, 342, 434, 494.
- " banks of California, 236.
- " comparative price of, 167.
- " coinage in June, 78.
- " Exchange, new rules of, 573.

- Gold, export of, 78.  
 " Is it appreciating? 593.  
 " movements of [See NOTES ON THE MONEY MARKET.]  
 " old and new fluctuations in, 281, 342, 430.  
 " premium on, at New York, 74, 159, 240, 321, 403, 484, 579, 666, 746, 828, 908, 997.  
 " production of, 283, 343, 408, 431, 999.  
 " purchasing power of, 936.  
 " value of, 915, 936.  
 " world's stock of, 290, 343, 430, 458, 935.  
 Government National Bank of Pottsville *vs.* Lucas, 706.  
 Grace, abolition of, on bills and notes, 60.  
 Grace, days of, in Louisiana, 822.  
 Grain, Russian, exports of, to Great Britain, 364.  
 Great Britain, banking system of, 671.  
 " " cereal crops of, 172.  
 " " debt of, 123.  
 " " exports of, 200, 780.  
 " " exports of Russian grain to, 364.  
 " " gross annual income in, 408.  
 " " gross annual value of property in, 408.  
 " " growth of debt of, 671.  
 " " imports of, 200, 780.  
 " " increase of wealth in, 408.  
 " " railway growth of, 294.  
 " " railways of, 296, 606.  
 " " savings banks of, 94.  
 " " statistics of bankruptcy in, 418.  
 " " wages in, 38.  
 Greece, cereal crops of, 172.  
 " sea-going shipping of, 118, 119.  
 Greenback currency, The, and Mr. Spaulding, 438.  
 " issues, contraction of, 82, 914.  
 " issues, new, and their legal-tender power, 673.  
 Gross annual income value of property in Great Britain, 408.  
 Growth of banking in Vienna, 787.  
 " of bank surplus, 590.  
 " of National banking system, 328.  
 " of population, 934.  
 " of public debts, 671, 934.  
 " of railroads in Russia, 369.  
 " of taxation in England, 863.  
 " railway, of Great Britain, 294.  
 Guarantee, the law of, 58.  
 Guarantees, Government, to Russian railroads, 370.  
 Guarantor of note, what constitutes a, 58.  
 Guthrie, James, Secretary, 874, 875.  
**Hamburg Bank, The, 401.**  
 Hamilton and finance, 529.  
 Hankey, Thomson, on English banking, 695.  
 "Hanse Towns," The, 99.  
 Harter, Sen., Mr. Isaac, death of, 824.  
 Hartley, Mr. Robert H., death of, 488.  
 Henderson, W. D., on English banking, 107.  
 Hewitt, Mr., on the labor question, 34.  
 Hilliard on the law of taxation, 683, 731.  
 History, financial, of the war, 536.  
 " of the legal-tender act, 438, 556.  
 " of Massachusetts savings banks, 963.  
 Holiday law, new, of Connecticut, 153.  
 Holidays, legal, in Louisiana, 822.  
 Holland, cereal crops of, 172.  
 " coinage of, 348.  
 " exports of, to Great Britain, 200.  
 " imports of, from " " 200.  
 Homans, Mr. Sheppard, on the banking element of life insurance, 49.  
 Huntington, West Virginia, bank robbery at, 321.  
**Idaho, banks and bankers in, 899.**  
 " failures in, 88, 600, 848.  
 " railroad progress in, 605.  
 Illinois, banks and bankers of, 74, 153, 157, 241, 323, 402, 481, 574, 577, 665, 667, 745, 827, 899, 906.  
 " failures in, 88, 600, 848.  
 " law of bank checks in, 729.  
 " municipal debts in, 946.  
 " railroad progress in, 605.  
 " Supreme Court of, 58, 142, 729.  
 Immigration movements, the, 173.  
 " statistics of, 247, 336, 583.  
 Immigrants arrived in New York, 175, 176, 336, 763, 764.  
 Imperial Bank of Germany, 185, 246, 304.  
 " bank law of Germany, 185, 304.  
 " Bank of Russia, 621.  
 Imports, foreign, at New York, 28, 167, 584.  
 " French, 327.  
 " of Austria, 786.  
 " of European Russia, 365, 366.  
 " of Great Britain, 200.  
 " of United States, 247.  
 Improvements in the law of usury, 412.  
 Incomes, gross annual, in Great Britain, 408.  
 Increase of National bank surplus, 526.  
 Increase of wealth in Great Britain, 408.  
 Indemnity companies of New York State, 619.  
 Independent Treasury, The, 808, 869.  
 Indiana, banks and bankers of, 174, 157, 241, 323, 400, 481, 665, 828, 899, 906.  
 " failures in, 88, 600, 848.  
 " railroad progress in, 605.  
 India, growth of debt of, 671.  
 Indorsers, liability of, 975.  
 Indian Territory, railroad progress in, 605.  
 Industrial and financial progress of Russia, 364.  
 Industrial credit and banking, 17.  
 Inflation and resumption, 698.  
 Inquiries of correspondents, 60, 395, 651, 897.  
 Insurance, life, banking element in, 49.  
 Insolvent National banks, details of, 525.  
 Interest in Massachusetts, 742.  
 " law of Kentucky, changed, 903.  
 " legal, among the Romans, 717.  
 " legal rates of, 413.



- Interest on bank deposits, should it be paid? 596.  
 " savings bank, reduction of, 574.  
 " usurious, 898.  
 Internal exchange, 217.  
 " receipts, 167, 515.  
 " revenue officers and National bank checks, 77.  
 International banking and currency, 550.  
 " banking reform and specie payments, 249.  
 " financial law, 448, 632.  
 Investments, annual, in Europe, 591.  
 Iowa, banks and bankers of, 73, 154, 157, 241, 323, 400, 402, 481, 576, 665, 667, 745, 827, 899, 906.  
 " failures in, 88, 600, 848.  
 " railroad progress in, 605.  
 Irish immigrants arrived in New York, 176.  
 Iron and steel, production of, 327.  
 Iron, railroad, in what States produced, 407.  
 Is gold appreciating? 593.  
 Is silver a legal tender? 951.  
 Is the taxation of mortgages double taxation? 920.  
 Issue of circulation in the several States, 519.  
 " new loans throughout the world, 246.  
 " silver coin, 900.  
 Issues, legal-tender, 674.  
 " new greenback, and their legal-tender powers, 673.  
 Italy, banks of, 8.  
 " cereal crops of, 172.  
 " exports of, to Great Britain, 200.  
 " growth of debt of, 671.  
 " history of commerce in, 258.  
 " imports of, from Great Britain, 200.  
 " shipping of, 118, 119.  
 Items, banking and financial, 68, 152, 235, 318, 397, 477, 661, 573, 739, 821, 900, 988.  
 Jacques Cartier Bank, Montreal, 240, 321.  
 Jay Cooke railroad iron case, 75.  
 Jefferson and Continental money, 528.  
 Jevons, W. S., on money and exchange, 555.  
 Joint-stock banks, London, 201.  
 Kansas banks and bankers of, 75, 153, 157, 242, 323, 402, 481, 576, 665, 745, 899, 906.  
 " City, clearing-house of, 84.  
 " failures in, 88, 600, 848.  
 " railroad progress in, 605.  
 Kent, Chancellor, on power of Congress, 960.  
 Kentucky, banks and bankers of, 74, 242, 401, 481, 576, 745, 827, 899.  
 " failures in, 88, 600, 848.  
 " financial condition of, 662.  
 " interest law changed, 903.  
 " railroad progress in, 605.  
 Knox, J. J., Comptroller, letters from, 816.  
 Knox, Gen. John J., death of, 823, 832.  
 Labor question, the, 32.  
 " Adam Smith on, 986.  
 " Mr. Brassey, on, 34.  
 " Mr. Chevalier on, 33.  
 " Mr. Lothian Bell on the, 34.  
 " Mr. Millan on the, 36.  
 " Mr. Mitchell on, 36.  
 " Mr. Redgrave on, 35.  
 " Mr. F. A. Walker on, 986.  
 " Mr. Wells on the, 36.  
 Lading, bills of, and banks, 559.  
 " law of, 565, 896.  
 " of, surrender of, 478.  
 Land credit banks, 422.  
 " credit companies, 422, 903.  
 " frauds, extensive, 522.  
 " in England and Wales, areas of, 942.  
 " mortgage banks of Russia, 247.  
 " owners, number in England, 423, 941.  
 " " " in the United States, 422.  
 Larrabee, Mr. Samuel, death of, 488.  
 Law of Connecticut, new holiday, 153.  
 " German banking, 185.  
 " International financial, 448, 632.  
 " of agency, 822.  
 " of bank checks, 729, 821, 887.  
 " of bank-note contraction, operation of, 330.  
 " of bills of exchange, 142.  
 " of bills of lading, 565, 896.  
 " of free banking, operation of, 331.  
 " of guarantee, 58.  
 " of Imperial Bank of Germany, 185, 304.  
 " of New York savings banks, 68.  
 " of resumption, shall we repeal it? 778.  
 " of usury, 658.  
 " improvements in the, 412.  
 Laws, banking, and the money market, 329.  
 " on bills of exchange, unification of, 462.  
 " State, and National banks, 898.  
 " usury, and the National banks of Pennsylvania, 723.  
 " usury, of New York State, 252.  
 " usury, of various States, 413, 879, 903.  
 Lead, production of, in Europe, 408.  
 Legal decisions, recent digest of, 891.  
 " holidays in Louisiana, 822.  
 " interest among the Romans, 717.  
 " rates of interest, 413.  
 " tender act, history of, 438, 556.  
 " " " Dr. Spear on, 558.  
 " " notes and National bank circulation, 139.  
 " " note scheme, 544.  
 " " is silver a? 951.  
 " " issues, 674.  
 " " powers of the new greenback, 673.  
 " tenders, taxation of, 660.  
 " status of country bank clearing-houses, 15.  
 Legislation, recent monetary, and its results, 81.  
 Leverich, Mr. C. P., death of, 661, 672.

- Life insurance, the banking element of, 49.  
 Limousin, Mr. C. M., on popular banks, 7.  
 Liability for forged signatures, 60.  
 " for special deposits, 664.  
 " of accommodation indorsers, 975.  
 " of bank directors, 575.  
 " of cashiers, 575.  
 Liabilities, average, of New York city failures, 599.  
 " average, of United States, 599.  
 " of National banks, 66, 234, 517, 738, 992.  
 " of New York savings banks, 801.  
 " of State banks of New York, 162, 776.  
 " of trust companies in New York, 777.  
 Light sovereigns, 631.  
 Liquidation of National banks, 398.  
 Loan, Canadian, 670.  
 " and savings societies of Canada, 263.  
 " companies of New York State, 619.  
 " the new funding, 591.  
 Loaner's Bank, N. Y., suspension of, 988.  
 Loans, foreign, report of committee upon, 207.  
 " in London, 751.  
 " issue of, throughout the world, 246.  
 Locks, chronometer, 743, 744.  
 Lofty bank structures in New York, 235.  
 London, Aberdare panic in, 198.  
 " bank, a curious, 480.  
 " banking in the olden time in, 41.  
 " Cheque Bank, 271, 664, 744.  
 " Clearing-House, operation of, 10, 202.  
 " Credit Foncier, 326.  
 " discount companies, 201.  
 " exchange on, 76, 164, 244, 324, 405, 485, 580, 669, 749, 829.  
 " failures, recent, 240.  
 " joint-stock banks, 201, 523.  
 " loans in, 751.  
 " monetary plethora in, 919.  
 " panic in, 203, 930.  
 " price of silver in, 78, 348.  
 " quotations of U. S. bonds, 652.  
 " Stock Exchange and National debt, 671.  
 " *Times*, The, on the London panic, 203.  
 Louisiana, banks and bankers of, 157, 242, 576, 667, 899.  
 " days of grace in, 822.  
 " decisions in, 989.  
 " failures in, 88, 600, 848.  
 " holidays in, 822.  
 " railroad progress in, 605.  
 Louisville, clearing-house of, 662.  
 Lowell, clearing-house of, 990.  
 Lubbock, Sir John, on country clearings, 11.  
 Maine, banks and bankers of, 74, 242, 481, 899.  
 " failures in, 88, 600, 848.  
 " finances of, 662.  
 Maine, railroad progress in, 605.  
 " savings banks in, 94.  
 " Supreme Court of, 891.  
 Malthus on population, 765.  
 Manganese, production of, 408.  
 Manufactures, Russian, 364.  
 Markets, gold and stock, review of, 652.  
 Marsland, Dr. George, on usury laws, 252, 412, 497.  
 " " on mortgage tax, 678, 916.  
 " " on our banks and their fiscal burdens, 835.  
 Maryland, banks and bankers in, 576, 899.  
 " bills of lading in, 989.  
 " Court of Appeals, 230, 892.  
 " failures in, 88, 600, 848.  
 " railroad progress in, 605.  
 Massachusetts, banks and bankers in, 74, 157, 241, 323, 576, 745, 823, 899.  
 " failures in, 88, 600, 848.  
 " finances of, 663.  
 " interest in, 742.  
 " Metropolitan Nat. Bank, Boston, 153.  
 " payment on Sunday in, 742.  
 " railroad progress in, 605.  
 " savings banks of, 94, 963.  
 Maurice Block on Swiss banking, 97.  
 Mauritius, exports of, to Great Britain, 200.  
 " imports of, " " 200.  
 McCulloch, Hugh, on bonds and currency, 371.  
 " " on French finance, 46.  
 " " our National credit, 3.  
 McCulloch, J. R., on London Clearing-House, 10.  
 " " on National debts, 939.  
 McLane, Louis, Secretary, 626.  
 Mercantile failures, 88, 337, 599.  
 " shipping and National wealth, 117.  
 Merchandise, Russian, exports and imports of, 366.  
 Merchants' Bank of Canada, 156, 991.  
 Meredith, W. M., Secretary, 872.  
 Mesnel-Marigny, M. du, on legal interest among the Romans, 717.  
 Message, the President's, financial aspects of, 505.  
 " of Governor Tilden, 617.  
 Metals, production of precious, 343.  
 Mexico, mines of, 288.  
 Michigan, banks and bankers in, 71, 74, 157, 241, 323, 481, 577, 665, 667, 745, 827, 899, 906.  
 " Detroit, population, banks, &c., 71.  
 " failures in, 88, 600, 848.  
 " misuse of the name "bank," 743.  
 " railroad progress in, 605.  
 Middle States, failures in, 599.  
 " " railroad progress in, 121, 605.  
 Military orders, banks not responsible for, 478.  
 Mill, John Stuart, on paper money and prices, 608.

- Mill, J. S., on the labor question, 36.  
 Minerals, production of, 408.  
 Mines, gold and silver, yield of, 595.  
 Mining Commissioners' reports, 797.  
 Minnesota, banks and bankers in, 74, 157,  
     241, 403, 665, 667, 745, 829,  
     899, 906.  
     " failures in, 88, 600, 848.  
     " finances of, 664.  
     " railroad progress in, 605.  
 Mint charges in England, France, and  
     Germany, 188, 866.  
 Mint, the branch, 660.  
 Mississippi, banks and bankers, 899, 906  
     " failures in, 88, 600, 848.  
     " railroad progress in, 605.  
     " Valley to the seaboard, 265.  
 Missouri, Bank Clerks' Associations of,  
     136.  
     " banks and bankers in, 74, 157,  
     241, 323, 403, 481, 576, 663, 827,  
     899, 906.  
     " failures in, 88, 600, 848.  
     " railroad progress in, 605.  
     " renewal bonds, 237.  
     " State banks, condition of, 743.  
     " Supreme Court of, 385.  
 Misuse of the name "bank," 742.  
 Mitchell, Mr., on the labor question, 36.  
 Monetary ease and the banks, 833.  
     " legislation, present, and its re-  
     sults, 81.  
     " panics and the Board of Trade,  
     I.  
     " prospects of Turkey, 619.  
     " system of Russia, 366.  
     " unit, the new Argentine, 730.  
 Money market, notes on the, 76, 164, 244,  
     324, 405, 485, 580, 669, 749, 829,  
     909, 997.  
     " markets and our banking laws, 329.  
     " paid on forged checks, recovery of,  
     385.  
     " snatching, 740.  
 Montana, banks and bankers in, 899.  
     " failures in, 600, 848.  
 Montelius, *et al.*, vs. J. H. Charles, 148.  
 Monthly arrival of emigrants in New York,  
     175.  
 Montreal, Bank of, 72, 991.  
     " banks and bankers of, 72, 155,  
     240, 321, 401, 824, 991.  
     " City bank of, 72, 155, 991.  
     " consolidation of banks, 156, 991.  
     " La Banque Jacques Cartier, 72,  
     240.  
     " Molsons Bank, 401.  
 Morgan loans, The, and French finances,  
     78.  
 Morris, Mr. Robert, on a National bank,  
     450, 529.  
     " " on our financial situa-  
     tion, 129.  
     " " reply to, 377.  
 Mortgage banks, land, of Russia, 427.  
     " " National, 379.  
     " notes and National banks, 61.  
     " taxes in California, 857.  
 Mortgages, the taxation of, 678, 740, 920.  
 Moxon, Thomas Bouchier, on English  
     banking system, 692.  
 Murder of Mr. Jacob Snider, 153.  
 Must "value received" be expressed in a  
     note? 395.  
 Mutual Benefit Association, Bankers and  
     Bank Clerks', of Pittsburgh, 470.  
 Mutual Benefit Association, Bank Clerks',  
     of New York, 554, 645.  
 National bank, A, 297, 450.  
     " " bonds deposited at  
     Washington, 246, 325,  
     406, 488, 671, 751, 832.  
     " " checks and internal  
     revenue officers, 77.  
     " " circulating notes re-  
     deemed, 516.  
     " " circulating notes de-  
     stroyed, 516.  
     " " circulation and legal-  
     tender notes, 82, 139,  
     236, 914.  
     " " circulation outstand'g,  
     246, 325, 406, 488, 671,  
     751, 832, 912, 914, 999.  
     " " dividends, 522.  
     " " examiners, 420, 678.  
     " " notes, number and  
     amount issued, re-  
     deemed and outstand-  
     ing, 522.  
     " " paper, *vs.* State bank  
     paper, 450.  
     " " redemption agency,  
     315.  
     " " reserves of, 923.  
     " " " required, 924.  
     " " surplus, amount of, 526.  
     " " " increase of, 526.  
     " " " taxation of, 582.  
     " " system, advantages of  
     our, 676.  
     " " system discussed, 638.  
     " " vested rights of a, 145.  
 National banking system, defense of, 377,  
     489.  
     " " " growth of, 328.  
 National banks and real estate security,  
     396.  
     " " and safe deposits, 322.  
     " " and State laws, 898.  
     " " as dealers in bonds, 230.  
     " " cannot take mortgage  
     notes, 61.  
     " " consolidation of, 129.  
     " " defense of the, 377, 489,  
     638.  
     " " dividends of, 525.  
     " " failed, details of, 525.  
     " " failures of, 400, 404, 479,  
     484, 821, 828, 904.  
     " " insolvencies of, 524.  
     " " liabilities of, 66, 517.  
     " " liquidation of, 398, 902.  
     " " new, official bulletin of,  
     73, 159, 243, 323, 402, 484,  
     579, 665, 748, 827, 907,  
     993.  
     " " not liable for special de-  
     posits, 53.  
     " " of New York city, 161.

- National banks of Pennsylvania and the usury laws, 723.  
 " of the United States, abstract of reports of, 66, 234, 738, 992.  
 " or a National bank, 297.  
 " resources of, 66, 517.  
 " State rights over, 390.  
 " surplus of, amount of, 526.  
 " " increase of, 526.  
 " taxation of, 406, 901, 916.  
 " usury by, 412, 497, 726, 981.  
 National Board of Trade, convention of,  
 1. 71.  
 " credit, our, Mr. McCulloch on,  
 3.  
 " debt, the funding of, 487, 916.  
 " debts and National resources,  
 931.  
 " and the London Stock Exchange, 671.  
 " Adam Smith on, 938.  
 " growth of, 934.  
 " Macaulay on, 938.  
 " McCulloch on, 939.  
 " *Westminster Review* on,  
 933.  
 " mortgage banks, 379.  
 " wealth and mercantile shipping,  
 117.  
 Nebraska, banks and bankers in, 15, 238,  
 241, 323, 402, 746, 899.  
 " failures in, 88, 600, 848.  
 " railroad progress in, 605.  
 Needed example, A, 728.  
 Negotiable paper, forged and altered, 279.  
 Negotiators, responsibility of, 748.  
 Nevada, banks and bankers in, 479, 576,  
 899.  
 " failures in, 88, 600, 848.  
 " railroad progress in, 605.  
 New and old fluctuations in gold, 281, 342,  
 430.  
 " Argentine monetary unit, 730.  
 " books, notices of, 62, 553, 731.  
 " England, railroad progress in, 121,  
 605.  
 " " savings banks of, 94.  
 " " " depositors in,  
 332.  
 " " " deposits in,  
 332.  
 " " States, failures in, 599.  
 " funding loan, The, 591.  
 " greenback issues and their legal-tender powers, 673.  
 " Hampshire, banks and bankers of,  
 157, 242, 323, 403, 481, 899.  
 " " failures in, 88, 600, 848.  
 " " railroad progress in, 605.  
 " savings banks in, 94.  
 " holiday law of Connecticut, 153.  
 " Jersey, banks and bankers of, 157,  
 242, 576, 899, 906.  
 " " failures in, 83, 600, 848.  
 " " finances of, 664.  
 " " railroad progress in, 605.  
 " savings banks in, 94.  
 " loans throughout the world, 246.  
 " Mexico, banks and bankers in, 899.  
 New National banks, bankers, and savings banks, 74, 158, 241, 323, 402, 481, 578, 665, 745, 827, 906.  
 " Orleans, clearing-house of, 84.  
 New York city, arrests in, 770.  
 " " arrival of emigrants in, 175, 176.  
 " " bank aggregates, 911.  
 " " Bank Clerks' Mutual Benefit Association, 554, 645.  
 " " bank officers of, on taxation, 589, 835.  
 " " banks and bankers in, 235, 242, 319, 323, 667, 739, 899.  
 " " banks, statement of, 76, 164, 245, 325, 406, 487, 581, 669, 749, 829, 910, 997.  
 " " clearing-house, 77, 397.  
 " " coin received for customs, 80, 584.  
 " " Court of Appeals, 222.  
 " " custom receipts, 168.  
 " " exports of produce from, 326.  
 " " " specie from, 78, 168.  
 " " failures, aggregate of, 599.  
 " " " average liabilities of, 599.  
 " " " in, 88, 341, 600, 848.  
 " " foreign exports from, 80, 167, 584.  
 " " " imports at, 78, 167, 584.  
 " " gold and stock markets, review of, 652.  
 " " Gold Exchange, new rules of, 573.  
 " " immigrants arrived in, 175, 176, 336, 763, 764.  
 " " lofty bank structures in, 235.  
 " " National banks of, 161.  
 " " paupers cared for in, 771.  
 " " premium on gold at, 74, 159, 240, 321, 403, 484, 579, 666, 746, 828, 908.  
 " " savings banks, 802, 998.  
 " " six per cent. gold bonds, 244.  
 " " Stock Exchange, fluctuations of, 44, 150, 656.  
 " " Stock Exchange, officers of, 988.  
 " " Supreme Court on emigration, 854.  
 " " taxation in, 918.  
 New York State, banking laws of, 676.  
 " " banks, 618, 676, 775.  
 " " banks and bankers of, 74, 157, 242, 321, 323, 398, 403, 481, 577, 640, 665, 745, 827, 835, 899, 906.  
 " " banks, liabilities of, 162, 776.  
 " " canal tolls collected, 247.  
 " " debt of, 617.  
 " " failures in, 88, 600, 848.

- New York State loan, trust, and indemnity companies, 619, 777.  
 " " railroad progress in, 605.  
 " " resources of State banks, 163, 776.  
 " " savings banks, 94, 246, 618, 663, 800.  
 " " " " depositors in, 332.  
 " " " " deposits in, 332.  
 " " " " law of, 68, 803.  
 " " sinking fund of, 617.  
 " " Supreme Court of, 75.  
 " " taxation of banks in, 640, 835, 917.  
 " " " of mortgages in, 921.  
 " " " per head in, 617.  
 " " usury laws, 252.  
 North Carolina, banks and bankers in, 243, 745, 899.  
 " " failures in, 88, 600, 848.  
 " " railroad progress in, 605.  
 Northern Pacific railroad, sale of, 219.  
 Norway and Sweden, cereal crops of, 172.  
 " " exports and imports of, 200.  
 Norwegian sea-going shipping, 118.  
 " " steamships, 119.  
 Note, a centennial, redeemed, 661.  
 " promissory, what constitutes a guarantor, 58.  
 " scheme, legal-tender, 544.  
 Notes and bills, abolition of grace on, 60.  
 " errors in protesting, 908.  
 " fractional, 483.  
 " legal-tender and National bank circulation, 139.  
 " mortgage and National banks, 61.  
 " of National banks destroyed, 516.  
 " " redeemed, 516.  
 " on the money market. [See MONEY MARKET]  
 " payable in exchange, 897.  
 " " at a failing bank, 897.  
 Notice of election, 720.  
 Notices of new books, 62, 555, 731.  
 Nott, Mr. Justice, on Pacific railroads, 25.
- Official bulletin of new National banks**, 73, 159, 243, 402, 484, 579, 665, 748, 827, 907, 993.  
 " circulars of Treasury Department, 473.
- Ohio, banks and bankers in, 74, 157, 241, 323, 402, 481, 575, 577, 665, 745, 827, 899, 906.  
 " failures in, 88, 600, 848.  
 " finances of, 664.  
 " railroad progress in, 605.  
 " Supreme Court of, 896.  
 " taxation of National banks in, 406.
- Old and new fluctuations in gold, 281, 342, 430.  
 Olden time, banking in the, 41.  
 Operation of the bank-note contraction law, 330.
- Operations of the free banking law, 332.  
 Operatives, our, and savings bank deposits, 332.  
 Oregon, banks and bankers in, 899.  
 " failures in, 88, 600, 848.  
 " railroad progress in, 605.  
 Organization of credit banks, 210.  
 " of small banks, 816.
- Otis, Mr. Amos, death of, 488.  
 Our banking system and its dangers, 753.  
 " banks and their fiscal burdens, 835.  
 " financial policy, errors in, 438, 442, 445.  
 " " situation, 129.  
 " National credit, Mr. McCulloch on, 3.  
 " operatives and savings bank deposits, 332.  
 " paper money circulation, 817.  
 " railroad stocks and bonds abroad, 404.  
 " war finance and exchequer bills, 123.
- Outstanding circulation of National banks, 246, 325, 406, 488, 671, 751, 832, 912.
- Pacific railroad and the Treasury**, 24.  
 " States, railroad progress in, 121, 605.
- Panic, the Aberdare, in London, 198.  
 " the Philippart, and the Credit Mobilier, 94.  
 Panics, monetary, and the Board of Trade, 1.
- Paper money and prices, 608.  
 " " Austrian, 711, 785.  
 " " circulation, our, 817.  
 " " contraction of, 752.
- Parting of gold and silver, process of, 476.  
 Paupers cared for in New York city, 771.  
 Payment of altered checks, 572.  
 " of checks after death of drawer, 651.  
 " on Sunday in Massachusetts, 742.
- Payments, telegraphic, risk of, 399.  
 Pay rolls of Castle Garden, 175.  
 " Ward's Island, 175.
- Penalties, usury, on National banks, 982.
- Pennsylvania, banks and bankers in, 899.  
 " debt of, 664.  
 " failures in, 88, 600, 848.  
 " law of bank checks in, 729.  
 " National banks of, and the usury laws, 743.  
 " railroad progress in, 605.  
 " Supreme Court of, 726.  
 " Taxation in, 921.
- Peru, exports and imports of, 200.  
 " mines of, 287.
- Peruvian securities, loss on, 841.
- Philadelphia Bank Clerks' Beneficial Association, 648.  
 " banks, statement of, 76, 164, 245, 325, 406, 487, 581, 669, 749, 830, 911, 997.  
 " clearing-house of, 84.  
 " coinage in June, 78.  
 " failures in, 848.  
 " Stock Exchange, 904.

- Philippart panic and the Credit Mobilier, 94.  
 Pig-iron, production of, in Europe, 408.  
 Pittsburg, Bankers and Bank Clerks' Mutual Benefit Association of, 470.  
 Platinum, production of, in Europe, 408.  
 Political economy, the primer of, 731.  
 Pompeii, banking in, 734.  
 Popular banks of Continental Europe, 7.  
 Population, Chalmers on, 767.  
     " Malthus on, 765.  
     " of Detroit, Mich., &c., 71.  
 Portugal, cereal crops of, 172.  
     " exports and imports of, 200.  
 Portuguese sea-going shipping, 118, 119.  
 Potosi, mines of, 281.  
 Powers of bank examiners, 420.  
 Precious metals, production of, 343.  
     " " Russian exports of, 366.  
     " " imports of, 366.  
 Premium on gold at New York, 74, 159, 240, 321, 403, 484, 579, 666, 746, 828, 908.  
 President and cashier, changes of, 74, 157, 242, 322, 403, 482, 576, 666, 747, 825, 908, 994.  
 President's message, financial aspects of the, 505.  
 Price, Bonamy, on English credit crisis, 205.  
 Price of silver in London, 348.  
 Prices and paper money, 608.  
 Principles, two, of usury reform, 497.  
 Printing of our paper currency, 773.  
 Problems, two, in French finance, 361.  
 Proceedings against stockholders, 904.  
 Process of parting gold and silver, 476.  
 Produce, exports of, from New York, 326.  
 Production of bullion, 795.  
     " cereals in the United States, 423.  
     " iron and steel, 327.  
     " minerals, 408.  
     " precious metals, 283, 343.  
     " railroad iron, 407.  
     " silver, 452.  
 Profits of the London joint-stock banks, 523.  
 Progress and prospects of railroads, 604.  
     " of banking in Vienna, 787.  
     " Russian, financial and industrial, 364.  
 Promissory note, what constitutes a guarantor, 58.  
 Promoters of stock companies, operations of, 189, 353.  
 Proper business of a banker, 179.  
 Property, gross annual value of, in Great Britain, 408.  
     " and prospects of railroads, 120.  
 Prospects and property of railroads, 120.  
     " and progress of railroads, 604.  
 Protesting notes, errors in, 908.  
 Provident Savings Life Assurance Society of New York, 69.  
 Prussia, Bank of, bullion held by, 351.  
     " circulation of, 351.  
 Public debt of the United States, 160, 317, 475, 668, 820, 916, 996.  
     " debts, growth of, 671.  
     " health and emigration, 763.  
 Pullen, Mr. E. H., address of, 645.  
 Purchase of silver bullion by the Treasury, 751.  
 Quotations of stocks, 77, 165, 244, 324, 405, 485, 580, 670, 750, 830, 912.  
     " of United States bonds in London, 652.  
 Railroad bonds, 572, 582.  
     " defaulting, in Europe, 582, 845.  
     " iron case of Jay Cooke & Co., 75.  
     " iron, where produced, 407.  
     " our, stocks and bonds abroad, 404.  
     " progress and its prospects, 604.  
     " progress in the United States, 605.  
     " property and prospects, 120.  
     " transit from the Mississippi Valley to the seaboard, 263.  
 Railroads, financial condition of, 122.  
     " in Russia, growth of, 369.  
     " Pacific, and the Treasury, 24.  
     " property and prospects of, 120.  
     " Russian Government, guarantees to, 370.  
 Railway growth of Great Britain, 294.  
 Railways of Great Britain, 296, 605.  
     " Germany, 583.  
 Raised checks, certification of, 478.  
 Ralston, Mr. W. C., death of, 328.  
 Read, Mr. Ezra C., death of, 70, 80.  
 Real estate and the credit system, 263.  
     " capital and credit, 422.  
     " in Boston, 236.  
     " in New York, taxation of, 918.  
     " security and National banks, 396.  
 Receipts from customs at New York, 168, 514, 584.  
     " from internal revenue, 167, 515.  
     " of the Treasury, 170, 510.  
 Recent decisions of United States Supreme Court, 478.  
     " London failures, 240.  
     " monetary legislation and its results, 81.  
 Recovery of money paid on forged checks, 385.  
 Redemption agency, the, 83, 245, 315, 330.  
 Redgrove, Mr., on the labor question, 35.  
 Reduction of capital, 739.  
     " of savings bank interest, 574.  
 Refunding of the French debt, 45.  
 Renewal bonds, Missouri, 237.  
 Rentes, French, value of, 362.  
 Repeal of the tax on mortgages, 678.  
 Report of the Comptroller of the Currency, 517.  
     " " Credit Foncier of France, 5.  
     " " foreign loans committee, 207.  
     " " Mining Commissioners, 797.  
 Reports of the National banks of the U. S., 66, 234, 738.  
     " " Treasury, 409, 510.  
 Reserve cities, cash reserves in, 923, 924.

- Reserves, bank, 923.  
 " of the National banks, 923, 924.  
 " as a guarantee of bank solvency, 923.  
 " bank, 923.  
 Resources of National banks, 66, 234, 517, 738, 992.  
 " New York savings banks, 801.  
 " State banks of New York, 162, 776.  
 " trust companies in New York, 777.  
 Responsibility of banks for collaterals, 892.  
 " of banks for special deposits, 85.  
 " of collecting banks, 667.  
 " of negotiation, 748.  
 " for robbery, 823.  
 Result of recent monetary legislation, 81.  
 Resumption and inflation, 698.  
 " in a new phase, 493.  
 " in Congress, 583, 585.  
 " law, shall we repeal it? 778.  
 " means of, and Secretary Bristow, 165.  
 " progress toward, 913.  
 Retirement of circulation in the several States, 519.  
 Revenue, British, deficit in, 862.  
 Review of the gold and stock markets, 652.  
 Rhode Island, banks and bankers in, 157, 809.  
 " failures in, 88, 600, 848.  
 " finances of, 744.  
 " railroad progress in, 605.  
 " savings banks of, 94, 664.  
 Richardson, Mr. Edward, death of, 832.  
 Right of search for unstamped checks, 319, 898.  
 Rights of action, transfer of, 145.  
 Risk of telegraphic payments, 399.  
 Risks of business, are they increasing? 587.  
 Robberies of banks and bankers, 70, 149, 320, 321, 479, 662, 740, 742, 822, 905, 988.  
 Robbery in the Treasury Department, 69.  
 " responsibility for, 85, 823.  
 Robbers, bank, defeat and capture of, 905.  
 Rockford, Rock Island, and St. Louis Railroad Co., 153.  
 Romans, legal interest among the, 717.  
 Roumania, cereal crops of, 172.  
 Rules for the clearing of country checks, 12.  
 Rush, Richard, Secretary, 626.  
 Russia, banking and speculation in, 620.  
 " banks of, 8.  
 " cereal crops of, 172.  
 " exports and imports of, 200, 364.  
 " European, exports and imports of, 365.  
 " foreign commerce of, 366.  
 " gold and silver, 366.  
 " growth of railroads in, 366.  
 " debt of, 671.  
 " Imperial Bank of, 621.  
 " land mortgage banks, 247.  
 " merchandise traffic of, 366.  
 " monetary system of, 366.  
 " panic in, 499.  
 Russia, wages in, 36.  
 Russian exports of grain to Great Britain, 364.  
 " financial and industrial progress, 364.  
 " manufactures, 364.  
 " railroads, Government guarantees to, 370.  
 " sea-going shipping, 118, 119.  
 Safeguards against burglars, 744.  
 Safe deposits and National banks, 222.  
 Sale of the Northern Pacific railroad, 219.  
 Salt, production of, in Europe, 408.  
 San Francisco and its suspensions, 320.  
 " banks, silver in, 752.  
 " clearing-house of, 741.  
 " coinage in June, 78.  
 Saratoga, convention at, 67, 146.  
 Savings and loan societies of Canada, 263.  
 " and Trust Co., Freedman's, 400.  
 Savings bank depositors in New England, 332.  
 " depositors in New York, 332.  
 " deposits in New England, 332, 974.  
 " deposits in New York, 332.  
 " deposits and our operatives, 332.  
 " fraud, the Security, 902.  
 " interest, reduction of, 574.  
 " investments of, 238, 802, 974.  
 " law of New York, 68, 803.  
 Savings banks and District of Columbia 3-65 bonds, 238.  
 " and our operatives, 332.  
 " at home and abroad, 93.  
 " failures of, 243, 573, 667, 907, 998.  
 " new, 74, 158, 241, 323, 402, 481, 578, 665, 745, 827, 906.  
 " of Boston, 880.  
 " California, 220.  
 " Canada, 480.  
 " England, 92, 333.  
 " France, 91, 333.  
 " Germany, 93.  
 " Kings county, 802.  
 " Maine (closing), 741.  
 " Massachusetts, 94, 963.  
 " history of, 963.  
 " New England, 94.  
 " New Jersey, 93.  
 " New York, 94, 618, 663, 800, 998.  
 " county, 802.  
 " depositors in, 332.  
 " State, condition of, 246.  
 " State, 801.  
 " Rhode Island, 94, 664.  
 " Switzerland, 94, 333.  
 " reduction of interest, 574.



- Say, M. Leon, on specie payments and re-funding of the French debt, 45.  
 " " on the French finances, 584.  
 Scales, large, in assay office, New York, 478.  
 Scott, Justice, opinion by, 58, 142.  
 Schuchardt & Sons, Frederick, failure of, 319, 903.  
 Sea-going shipping, 118, 119.  
 Search for unstamped checks, 398.  
 " right of, for unstamped checks, 319, 808.  
 Secretary Bristow and means of resumption, 165.  
 " " and the purchase of silver, 165.  
 Securities, American, held abroad, 395.  
 " " market for, abroad, 841.  
 " exchange of, before bankruptcy, 740.  
 Security for bank circulation, bonds held as, 521.  
 " Savings Bank fraud, The, 902.  
 Seignorage, system of, 866.  
 Servia, cereal crops of, 172.  
 Set-off, the right of, 989.  
 Settlements of Stock Exchange, 203.  
 Seven-thirties, alleged counterfeit of, 740.  
 Seyd, Mr. Ernest, on German banking law, 185.  
 Seymour, Mr. James S., death of, 575, 584.  
 Shall we repeal the resumption law? 778.  
 Sherman resumption bill, effect of, 82.  
 " Senator John, on resumption, 778.  
 Shipping, mercantile, and National wealth, 117.  
 " sea-going, 118.  
 Should bank deposits bear interest? 596.  
 Should the surplus of banks be taxed? 589.  
 Signature of Treasurer Spinner, 68.  
 Signatures, engraved, on Stock certificates, 69.  
 " forged, liability for, 60.  
 Silver and gold, relative value of, 214, 342, 434, 494, 830.  
 " " mines, yield of, 595.  
 " " process of parting, 476.  
 " " production, consumption, and amount in use, 457.  
 " " as a legal tender, 951.  
 " Russian, 366.  
 " bill, The, 900.  
 " bullion purchased by the Treasury, 751.  
 " coin, issue of, 900.  
 " coinage, Albert Gallatin on, 214.  
 " in London, price of, 78, 348.  
 " in San Francisco banks, 752.  
 " movements of, 78, 348, 830.  
 " production of, 283, 343, 408, 752.  
 " purchase of, and Secretary Bristow, 165.  
 " what shall we do with our, 865.  
 Sinking fund of the State of New York, 617.  
 " United States, 686.  
 " suggestion regarding, 721.  
 Situation, our financial, 129.  
 Situation, The, 961.  
 Six per cent. bonds, calls for, 235.  
 " gold bonds of New York city, 244.  
 Sketches, economic, 257.  
 Small banks, organization of, 816.  
 Smith, Adam, on capital, 852.  
 " " on labor, 986.  
 " " on National debts, 938.  
 " Society, The, 1000.  
 Snider, Mr. Jacob, death of, 153.  
 Some aspects of the Aberdare panic in London, 198.  
 South Africa, exports and imports of, 200.  
 " American sea-going shipping, 118, 119.  
 South Carolina Bank and Trust Co., Columbia, suspension of, 154.  
 " banks and bankers in, 74, 157, 481, 745, 809.  
 " failures in, 88, 600, 848.  
 " railroad progress in, 605.  
 Southern Europe, cereal crops of, 172.  
 " States, failures in, 599.  
 " railroad progress in, 121, 605.  
 Sovereigns, light, 631.  
 Spain, cereal crops of, 172.  
 " debt of, 71; growth of, 671.  
 " exports and imports of, 200.  
 Spalding, Isaac, death of, 990, 1000.  
 Spanish debt, 71; growth of, 671.  
 " sea-going shipping, 118, 119.  
 Spaulding, Mr., and the greenback currency, 438.  
 Spear, Rev. S. T., on the legal-tender note scheme, 544.  
 Special deposits, National banks not liable for, 53.  
 " responsibility of banks for, 85, 664.  
 Specie basis and redemption of Alabama banks, 479.  
 " exports of, 78, 168.  
 " in the United States, amount of, 325.  
 " payments, amount of gold available for, 819.  
 " and International banking reform, 249.  
 " and refunding of the French debt, 45.  
 " in Congress, 583.  
 " resumptions of, 809.  
 " suspensions of, 534, 809.  
 Speculation in Russia, 620.  
 " in stocks, chances of, 757.  
 Spinner, Treasurer, signature of, 68.  
 Stability, unusual, 401.  
 Stamps on foreign exchange, 318.  
 Stamp tax on drafts on foreign banks, 156.  
 Standard of value, The, 957.  
 Startling robbery, 742.  
 State bank paper vs. National bank paper, 450.  
 " bank, transfer of right of action, 145.  
 " banks of Missouri, condition of, 743.  
 " of New York, 618, 775.  
 " laws, National banks and, 808.  
 " rights over National banks, 390.

- Statement of Boston banks, 77, 164, 245, 325, 406, 487, 581, 669, 749, 829, 997.  
 " of California savings banks, 221.  
 " of New York city banks, 76, 164, 245, 325, 406, 487, 581, 669, 749, 829, 910, 997.  
 " of Philadelphia banks, 76, 164, 245, 325, 406, 487, 581, 669, 749, 830, 910, 998.  
 Statesman's Year Book, The, 985.  
 Steamships, sea-going, 119.  
 Steel and iron, production of, 326.  
 Stewart, A. T., death of, 903.  
 St. Louis Bank Clerks' Association, 136.  
 " condition of banks in, 154, 663.  
 " failures in, 848.  
 Stock and gold markets, review of, 652.  
 " certificates, engraved signatures, 69.  
 " " fraudulent, law of, 989.  
 " " negotiability of, 989.  
 " contracts, 819.  
 " Exchange, officers of N. Y., 988.  
 " " London, and National debts, 671.  
 " " settlements, 203.  
 " " the Philadelphia, 904.  
 " gambling, who profits by it? 756.  
 " quotations, 77, 165, 244, 324, 405, 485, 580, 655, 670, 750, 830, 912, 998.  
 Stocks and bonds, our railroad, abroad, 404.  
 Stockholders, bank, in Congress, 988.  
 " proceedings against, 904.  
 Stone, Mr. Jacob, death of, 574, 584.  
 Strousberg failure, The, 499, 620, 991.  
 Suez Canal, The, 269, 501.  
 Suggestion regarding the sinking fund, 721.  
 " A, in brief, 890.  
 Sunday payments in Massachusetts, 742.  
 Supreme Court of Illinois, 58, 142, 729.  
 " " Louisiana, 989.  
 " " Maine, 891.  
 " " Missouri, 385.  
 " " New York, 75, 854, 989.  
 " " Ohio, 896.  
 " " Pennsylvania, 726.  
 " " U. S., 466, 478, 559, 565, 582, 674, 735, 991.  
 " " United States on money, 953.  
 " " Vermont, 53.  
 Surplus, growth of bank, 590.  
 " of National banks, amount of, 526.  
 " " " increase of, 526.  
 " of New York savings banks, 801.  
 " taxation of, 487, 582, 589, 640.  
 Surrender of bills of lading, 478, 559.  
 Suspension of banks and bankers, 72, 154, 320, 321, 399, 400, 479, 574, 575, 661, 902, 995.  
 Suspension, first, of specie payments, 534.  
 Sweden and Norway, cereal crops of, 172.  
 " " exports of, to Great Britain, 200.  
 " " imports of, to Great Britain, 200.  
 Swedish sea-going shipping, 118.  
 " " steamships, 119.  
 Switzerland, banking system of, 97, 706.  
 " cereal crops of, 172.  
 " first banking law of, 706.  
 " savings banks of, 93, 94, 333.  
 Tallman, Mr. John C., death of, 824, 832.  
 Taney, Roger B., Secretary, 628.  
 Taxation, bank, and its evils, 916.  
 " growth of, in England, 863.  
 " Hilliard on the law of, 731.  
 " of legal tenders, 660.  
 " of National banks, 406, 916.  
 " unfair, of banks, 835, 901.  
 Tax on mortgages, repeal of, 678.  
 " " refunded, 740.  
 Taxes, evasion of, can it be prevented? 772.  
 " in the United States, 617, 631.  
 " local, per head, 617.  
 " mortgage, in California, 857.  
 " on bank capital, 428, 582, 835.  
 " " surplus, 487, 582, 589, 640.  
 Telegraphic payments, risk of, 399.  
 Temple Bar, its banking history, 41.  
 Tennessee, banks and bankers in, 899.  
 " failures in, 88, 600, 848.  
 " railroad progress in, 605.  
 Territories, failures in the, 600, 848.  
 Teutonic emigrants arrived in New York, 176.  
 Texas, banks and bankers in, 74, 158, 241, 481, 576, 665, 744, 745, 824, 899, 906.  
 " failures in, 88, 600, 848.  
 " new Constitution of, 879.  
 " railroad progress in, 605.  
 Text of the Imperial bank law of Germany, 304.  
 Theft from the Treasury, 319.  
 Thornton, W. T., on credit banks, 210.  
 Three years' failures, 599.  
 Tilden, Governor, annual message of, 617.  
 Times, the London, on the London panic, 203.  
 Tin, production of, in Europe, 408.  
 Token coinage, 823.  
 Toronto, bank of, 155.  
 " Canadian Bank of Commerce, 155.  
 " consolidation of banks, 156.  
 " Royal Canadian Bank, 156.  
 Town bonds, 822.  
 Trade of European Russia, 365.  
 Trades unions, 32.  
 Transactions with failing banks, 889.  
 Treasurer of the United States on taxation of reserves, 660.  
 Treasury, cash in the, 818.  
 " decisions, 156.  
 " Department, official circulars of, 473.  
 " " robbery in the, 69.  
 " management, The, 913.  
 " purchases of silver bullion, 751.  
 " receipts and expenditures, 170, 510.

- Treasury, The, and the Pacific railroads, 24.  
 " the report of the, 409, 510.  
 " theft from the, 319.  
 True and false notions on banking and industrial credit, 17.  
 Trust companies of New York State, 619, 777.  
 Turkey, exports and imports of, 200.  
 " growth of debt of, 671.  
 " monetary prospects of, 619.  
 Turkish and Egyptian sea-going shipping, 118, 119.  
 " securities, loss on, 841.  
 Two principles of usury reform, 497.  
 " problems in French finance, 361.
- Unfair taxation of banks, 901.**  
 Unfunded debt, changes in, 170.  
 Unification of laws on bills of exchange, 462.  
 Union National Bank of Chicago *vs.* Scudder, 735.  
 Union Pacific Railroad Co. *vs.* the United States, 24.  
 Unit, monetary, the new Argentine, 730.  
 United States, amount of specie in the, 325.  
 " " a century of finance in, 527, 623, 804, 869.  
 " " banks and bankers of, 899.  
 " " bond quotations in London, 652.  
 " " bonds, description of, 820.  
 " " " quotations of, 150, 652, 656, [see NOTES ON THE MONEY MARK'T]  
 " " bullion product of, 795.  
 " " cereal crops of, 172, 423.  
 " " clearing-house system of, 83, 334.  
 " " coinage in June, 78.  
 " " Constitution as to money, 951.  
 " " debt of, 916.  
 " " exports and imports, 247.  
 " " exports to Great Britain, 200.  
 " " failures in, 88, 341, 599, 600.  
 " " financial condition of railroads, 122.  
 " " first suspension of specie payment, 534.  
 " " first bank of the, 530.  
 " " foreign commerce of, 739.  
 " " growth of debt of, 671.  
 " " imports and exports, 247.  
 " " imports from Great Britain, 200.  
 " " number of landowners in, 422.  
 " " production of cereals in, 172, 423.  
 " " production of iron and steel in, 326.  
 " " public debt of, 160, 317, 475, 510, 668, 820, 916, 996.  
 " " railroad progress in the, 605.
- United States, second bank of the, 623.  
 " " Supreme Court decisions, 478, 559, 582, 674, 735, 991.  
 " " Supreme Court, usury decision of, 466.  
 " " taxes in, 617.  
 " " " per head in, 617.  
 Unstamped checks, search for, 77, 319, 398.  
 Unusual collateral, 159.  
 Use of checks, extension of the, 271.  
 Usurious interest, 898.  
 Usury by National banks, 412, 724, 726, 981.  
 " conflict, the, 398.  
 " decisions of the United States Supreme Court, 466, 723.  
 " history of, 634.  
 " law, improvements in the, 412.  
 " laws and the National banks, 723.  
 " laws of New York State, 252.  
 " laws of the various States, 413.  
 " laws of States changed, 879, 903.  
 " penalties on National banks, 981.  
 " question, The, 634.  
 " reform, two principles of, 497.  
 " the law of, 658.  
 Utah, banks and bankers of, 75, 323, 575, 577, 899.  
 " failures in, 600, 848.  
 " railroad progress in, 605.  
 Utter bankruptcy, 153.
- Value of property in Great Britain, 408.**  
 "Value received," must it be expressed in a note? 395.  
 Vault, a remarkable, 237.  
 Venerable cashier, A, 396.  
 Venice, rise and fall of, 260.  
 Verbal acceptance of bills, 735.  
 Vermont, banks and bankers of, 74, 241, 323, 402, 899.  
 " failures in, 88, 600, 848.  
 " railroad progress in, 605.  
 " savings banks of, 94.  
 " Supreme Court of, 53.  
 Vienna, growth of banking in, 787.  
 Virginia, banks and bankers of, 74, 157, 323, 576, 745, 899, 906.  
 " failures in, 88, 600, 848.  
 " railroad progress in, 605.  
 Voice for convertible currency, 890.
- Wall Street, stock gambling in, 756.**  
 Wages question, The, 986.  
 Walker, Prof. F. A., on wages, 986.  
 Walton, Seymour, on internal exchange, 217.  
 War debt of New Jersey, 664.  
 " finance and exchequer bills, 123.  
 " financial history of the, 536.  
 Ward's Island, maintenance of, 175.  
 Warehouse receipts as collateral security, 885.  
 Washington Territory, banks and bankers in, 899.  
 " failures in, 600, 848.  
 " railroad progress in, 605.

- Wealth, increase of, in Great Britain 408.  
 " National, and mercantile shipping, 117.  
 " public, immigration and, 763.  
*Wealth of Nations*, centenary of, 1000.  
 Webster, Daniel, on legal tender, 955.  
 Weiser, Mr. H. S., death of, 236.  
 Wells, Mr., on the labor question, 36.  
 West Indies, exports and imports of, 200.  
 Western States, failures in, 599.  
 " " railroad progress in, 121, 605.  
*Westminster Review*, The, on National debts, 931.  
 Weston, George M., on silver, 951.  
 West Virginia, banks and bankers of, 155, 242, 745, 899.  
 " " failures in, 88, 600, 848.  
 " " railroad progress in, 899.  
 What constitutes a guarantor? 58.  
 What is the proper business of a banker? 179.  
 What shall we do with our silver? 865.  
 Wheeler, Justice, opinion by, 54.  
 Wheeling, W. Va., Bank of, 155.  
 Wheelwright, Mr. Benjamin F., death of, 398, 408.  
 Who profits by stock gambling? 756.  
 Why are banking profits so low? 918.  
 Wildcat banking, 741.  
 Wilde, Mr. Q. C., on the legality of country bank clearing-houses, 15.  
 Wilder, David, on International banking and currency, 550.
- Wiley vs. First National Bank of Brattleboro' Vt., 53, 85.  
 Williams, Judge Hosea, death of, 832.  
 Williams, L. Halsey, on National banks and usury laws, 723.  
 Wilson, Mr. Blakely, death of, 832.  
 Wisconsin, banks and bankers of, 75, 157, 241, 323, 402, 577, 665, 745, 899, 906.  
 " failures in, 88, 600, 848.  
 " railroad progress in, 605.  
 Wolowski, M. Louis, on banking and industrial credit, 17, 851.  
 Wolowski, report of, 362.  
 Wood, Mr. F., on repeal of sinking fund, 686.  
 Woodbury, Levi, Secretary, 629.  
 Woodruff, Mr. Seth, death of, 168.  
 World, issue of new loans throughout the, 246.  
 Wrong payment by English bankers, 632.  
 Wyoming, banks and bankers in, 158, 899.  
 " failures in, 848.  
 " railroad progress in, 605.
- Yearly immigration in New York,**  
 176.  
 Yield of gold and silver mines, 595.  
 Young, Mr. Joseph G., death of, 488.
- Zinc, production of, in Europe, 408.**

## LEGAL MISCELLANY.

Decisions reported in the Banker's Magazine, for the year ending June, 1876.

Acceptance, 559, 735.  
Agency, 822.  
Alteration of instruments, 891.

Bankruptcy, 740.  
Banks acting as brokers, 230.  
Bills and notes, 58, 559, 735, 891.  
Bills of exchange, 142.  
Bills of lading, 142, 559, 565, 896.  
Bona fide purchaser, 891.  
Bonds, 572, 991.

Certificates of stock, 989.  
Certification, 989.  
Check, 821, 887, 891, 989.  
Collateral securities, 885, 892, 991.  
Collecting banks, 559.  
Corporations, 658, 989.

Delay, 142.  
Demand, 891.  
Deposits, special, 54.  
Draft, 559, 735.

False representations, 230.  
Forgery, 385, 886.

Guaranty, 58.

Indorsement, 891.  
Interest, 466, 658, 726, 742, 980.

Liability of banks, 53, 559, 892, 896.  
Liquidation, rights of banks in, 2.

Municipal bonds, 991.

National banks, 230, 466, 726, 982.  
" " limits of operations of, 230.  
" " in liquidation, 980.  
" " usury by, 466, 658, 726, 980.

Notary public, 908.

Overdraft, 887, 891.

Payment, 887.  
Penalty, 982.  
Presentation, 142.  
Promissory notes, 58, 891.  
Protest, 908.

Raised checks, 989.  
Recovery of money paid, 385.  
Right of suit, 145, 980.

Set-off, 887, 989.  
Special deposits, 54, 892.  
State courts, 980.  
Stock certificates, 989.  
Stolen deposits, 892.

Taxation, 772.  
Title, 565.

Usury, 466, 658, 726, 980.  
Verbal acceptance, 735, 821.  
Vested rights, 145.

Warehouse receipts, 885.



THE  
**BANKER'S MAGAZINE,**  
AND  
**Statistical Register.**

---

VOL. X. THIRD SERIES.

JULY, 1875.

NO. 1.

---

**MONETARY PANICS AND THE BOARD OF TRADE.**

The National Board of Trade, which has recently held its yearly meeting at Philadelphia, ought by all means to have taken up the subject of financial panics. These disasters are so frequent, and inflict such wide-spread losses wherever they occur, that, if they can be prevented, it behooves our business men to make the best use for this purpose of their Boards of Trade, their Chambers of Commerce, and their other like organizations. Were any incentive needed to stimulate and keep alive the public interest in this subject, we have it in the protracted depression of business left us as a legacy by our last panic. There is, moreover, at this moment, a financial crisis in England, the origin, extent, and probable effects of which are earnestly watched in this country.

The monetary crisis in London can scarcely be said to have taken the financial world by surprise. It began with the failure on the 13th of March of J. C. im Thurm & Co., with \$10,000,000 of liabilities. A week later the General South American Banking Company failed for \$2,400,000, and Siordet & Co. for \$2,000,000. In April came the failure of Fearon & Co., with large liabilities. In May the trouble was kept up by the Rio Janeiro panic, which brought down several financial firms in London and Hamburg. There was also the Philippart panic in Paris, whose effects were severely felt both there and in London. On the first of June was announced the failure of the Aberdare Iron Company, of Sander-son & Co., with others, amounting to an aggregate of \$12,000,000. Since then the failures have been announced of Alexander Collie & Co. for \$15,000,000; of Robert Benson & Co. for \$5,000,000, and of Young, Borthwick & Co. for \$12,500,000. Altogether the failures, great and small, during the period under review are estimated at \$100,000,000. The London *Times* has attracted a good deal of public attention to itself during the course of these disas-



ters; it published a war letter which precipitated the Philippart panic in Paris, and it hastened, when the Aberdare failure occurred, to declare that the effects threatened to be as serious as those of the Overend failure in 1866. For months past, the fact has been well known that the credit system of England was very much expanded; that the iron industry was disorganized by the strikes of the coal miners and by the falling off in the demand. It was also known that the industrial forces had ceased which were called into such violent activity in England by the Franco-German war, by the displacement and transfer from France to Germany of an enormous mass of floating capital, by the payment of the indemnity of five milliards, and by the creation of new securities, national, industrial and municipal, amounting to more than twice that sum.

One of the questions which are discussed among us with the most anxiety is, the possibility that the English epidemic of failures may spread to this country and prevent our recuperation, which has been already so slow, from the disasters of the Jay Cooke panic. Against this supposition it has been argued that the English and French panics this year, and those of last year in Vienna and Berlin, are to be regarded as the results of the same great cause which produced the panic of 1873 in this country. This cause was the displacement of capital effected by the Franco-Prussian war, above referred to. To this unprecedented disturbance in the normal movements of capital is said to be due the inflation which stimulated railway building, and other credit enterprises, both here and in Europe, and prepared the way for disasters such as always follow inordinate expansion. Hence arose a series of explosions all over the commercial world, beginning with this country, whose credit machinery is, from various causes, peculiarly sensitive to disturbance. Passing from us, the panic, like a malignant epidemic, crossed the ocean, struck the chief centers of commercial life on the continent of Europe, and it has reached, at last, the chief center, London, which is the financial Clearing-House of the world. Having thus completed the cycle of movement, the storm will gradually pass off, having purified the atmosphere of commercial credits during its disastrous passage through it.

According to this argument we might seem to be near the end of the trouble. Every ten years we have been taught by the past to expect some such financial convulsion. If the present storm has spent its force, and if it be really the periodical panic itself, and not a mere harbinger and forerunner of that decennial event, then we may look forward to eight or ten years of prosperous activity, industrial growth, and commercial success. In this activity throughout the commercial world our own country may expect to share. Moreover, as we were the first in order who were struck by the receding wave of disaster, so we may expect to be among the first to feel the force of the rising tide of recuperation. This hopeful view of the situation is denied by many persons, who declare that we shall deceive ourselves if we look for an early recovery from the disasters of 1873.

As these questions, with others of like importance about the panic, are violently agitating the country, it is much to be regretted that the National Board of Trade did not place the subject of "Commercial Crises, their Causes, Prevention, and Progress," upon its programme. We trust that next year at the annual meeting of this important body the defect will be remedied, and that meanwhile the various Boards of Trade throughout the country will busy themselves in collecting facts, statistics, and practical suggestions in regard to our last panic. No subject to which they can give their attention can surpass this in importance; and no persons in this country are more competent to investigate some branches of it than the members of the Chambers of Commerce and Boards of Trade in the various cities of the United States.

---

#### MR. McCULLOCH ON OUR NATIONAL CREDIT.

One of the most important questions now before the country is the lessening of the burden of the debt by funding the principal at four per cent. Five years ago this work was begun by Mr. Boutwell. It contemplates the raising of a four per cent. loan in Europe at par in gold. This project seemed on the eve of accomplishment when the Franco-Prussian war broke out and postponed success to the future. That success appears to be approaching. At least it is predicted by well-informed authorities. The hinderance has been that, from temporary and subordinate causes, the European investor does not appreciate the solid security and substantial value of our national obligations. We have several times referred to the low position of our credit abroad, and we have pointed out some of the reasons why the bonds of the United States do not rank as high in the scale as those of British India, Canada, Germany, and some other countries. Mr. Hugh McCulloch in his recent letters to the *Tribune* takes up this question and submits it to an intelligent, thorough examination. From his past experience in this country, and his present position in London, Mr. McCulloch has peculiar qualifications for the task of exploring the truth and communicating it to his countrymen. His professional work as a banker throws him into close contact with the capitalists and investors of Great Britain and of Continental Europe, whose opinions are in question. His statements are also less likely to be biased than those we are accustomed so often to hear, either from foreigners, who are liable to be misled by want of knowledge, if not by prejudice—or from Americans, who after an unsuccessful foreign visit are apt to take an inordinately gloomy view of the chances of American Railroad and other securities in Europe.

Mr. McCulloch differs somewhat from both the extreme views that are prevalent in this country. He does not think the pros-

pect of a market for American securities in Europe is so bright as some over-sanguine persons imagine; nor, on the other hand, does he take a desponding view, although he frankly intimates that there is reason to fear that a considerable time may even yet elapse before the confidence of British investors generally can be won; and he offers several proofs in support of this opinion.

First of all, he says that the numerous defaults made by a number of States, both years ago and more recently, have injured the credit, not only of the defaulting States, but also of the other States that have never defaulted. He adds that the evil influence has been reflected and spread so as to reach the National securities, although the United States has never repudiated a single dollar of principal or interest, but has twice paid off its whole National debt. These general views Mr. McCulloch illustrates by referring to the State of Indiana. The bonds of that State, issued in 1835 for internal improvements, passed into default in the panic of 1837. Some years later new bonds were issued for one-half the face of the old bonds. The other half was secured by the State making over to the bondholders the canals purchased with their money. This arrangement gave much satisfaction at the time, and was regarded as fair to all parties. Mr. McCulloch, however, takes the opposite view. He points out the fact that these canals became worthless soon after they were made over to the bondholders, and that one chief cause of the loss of value was the construction of competing railroads, which were built under the authority of the State. He adds that the compromise was virtually forced on the creditors by the relations that existed between them and their debtor, and that there are some of these bondholders who, being unable or unwilling to compromise, lost everything. Nor have they any remedy, for the State is sovereign. It cannot be sued in the courts, and it is protected by the Federal Government from being in any manner responsible to the nation whose citizens held its bonds.

How Mr. McCulloch proposes to remedy the evil, he does not very distinctly state. He expressly says that what ought to be done is not very clear to his mind; that he is not an adviser, but wishes merely to tell us what is said in Europe to the injury of our national credit. The reader will probably agree with us that this particular evil must be left to time, and that no new arrangement can be attempted with the old creditors of Indiana, or of the States similarly implicated, without doing a great deal more harm than good. Mr. McCulloch also refers to the State debt of Virginia.

The other great cause of discredit from which American bonds are suffering in Europe is, according to Mr. McCulloch, the payment of the interest on the debts of all our States except Massachusetts and California in paper instead of in gold. This evil he thinks would be corrected by the early resumption of specie payments. But it is hard to see how this cause can depress the credit of our

national securities at all. Everybody knows that we pay in gold both the interest and the principal of our Federal securities. The very first act of Congress after Mr. McCulloch left the Treasury, was to renew, with the most solemn sanctions, the promise by which the nation had previously bound itself to pay both the interest and the principal of the National debt in coin. If, then, Mr. McCulloch's statement is correct, and he has told us what are the chief forces which militate against the credit of the United States in Europe, the negotiation of our long four per cent. funding loan ought very soon to be completed.

---

### REPORT OF THE CRÉDIT FONCIER OF FRANCE.

The annual report of the *Crédit Foncier* of France has just been issued. It throws light upon several points of importance in the industrial and financial condition of the French people. In the first place it shows that real estate is recovering from the blow inflicted on it by the war. During the year ending 31st December the loans on bond and mortgage amounted to \$6,514,793, against \$2,663,993 in the year 1873. This shows a considerable increase of business during the year, though the amount even now is far below the average yearly transactions before the war. As to the mortgages paid off, which in 1873 amounted to \$7,700,833, they were in 1874 no more than \$6,343,827. Thus there is an improvement on both sides, inasmuch as the Company were able last year to lend a little more than was paid off to them from old loans, while in the year before they were not able to put out again, on approved mortgages, more than one-third of the money falling in and paid off from the old mortgages. The total of the mortgage loans made by the *Crédit Foncier* since it began business now reaches the aggregate of \$239,030,814, of which \$73,679,667 have been paid out, so that the outstanding aggregate of mortgage loans is reduced to \$165,351,177; besides which, the short loans amount to nearly \$9,000,000, so that the total of mortgage loans is \$174,067,833. Besides this aggregate of mortgages on private property, the Company has made 25 loans to the Governments of the Commune. These municipal loans amount to \$2,712,904. Among them are two loans to Chambers of Commerce. The largest is for \$1,400,000 to the Chamber of Commerce at Havre to complete the work of enlarging the port of that city. The other loan referred to was for \$754,000 to the Chamber of Commerce at Honfleur, to construct in that city a receiving basin, with its warehouses and other needful works. Since 6th July, 1860, when these Commune loans were first authorized by law, their aggregate has reached \$153,890,216. Of this sum \$55,880,639 have been repaid, leaving a balance outstanding of \$98,009,577. Of this aggregate of Communal loans, the City of Paris owes the Company no less than \$63,682,444, and the Department of the

Seine owes \$1,201,076. During the year 1874 another large loan was negotiated for \$13,000,000. This sum has been borrowed from the Company by the five Departments of the East, who have obtained legislation to allow them to unite together in a syndicate for the construction of canals and other works four hundred miles long, to supply the place of the railways ceded to Germany in Alsace-Lorraine. No part of this money has yet been paid out by the Company, who have engaged to supply it as the works proceed. The five Departments are Ardennes, Meuse, Muerthe-et-Moselle, Vosges, Haute-Saone.

Another branch of the business of the Company is that of receiving deposits like a Bank. The rate of interest paid on current accounts was 3 per cent. from 1st January to 5th June,  $2\frac{1}{2}$  per cent. from 6th June to 14th July, and 2 per cent. from 15th July to 31st December. The aggregate of the deposits and repayments for the year 1874 was \$83,703,427. The number of accounts is 9,899. The number of checks paid was 47,650, and their amount was \$39,783,064. The aggregate deposits, which amounted 31st January, 1873, to \$9,707,681, was \$13,209,658 31st December, 1874, and had further risen to \$15,088,395 24th April, 1875. The obligations or bonds of the Company in the hands of the public amount to \$172,384,013, and its Communal bonds to \$82,594,211. The total is 260,978,224; of which \$95,381,860 are registered bonds. The expenses of the year amounted to \$469,352, against \$464,517 in 1873. The taxes of the year 1874 amounted to \$59,483, to which must be added the tax on the transfer of securities, the income tax, and other new imposts, \$754,083. Thus the total taxation set down in the report as contributed to the National Treasury by the Company and its bondholders is \$813,567. The net profits of the year 1874 amount to \$1,400,522, which allows a dividend of about 15 per cent. per annum, besides adding \$92,052 to the surplus, which now amounts to \$4,398,258.

We take the foregoing facts from the official report presented at the annual meeting of 27th April, 1875. It will be seen that two circumstances have tended to retard the growth of the business of the Company. First, the disasters of the war, which have diminished the movement of real estate in France, and, secondly, the tax burdens imposed on the bonds of the Company. This tax consists of various parts, one of the most galling of which is the income tax of three per cent. on the interest of all bonds secured by mortgage on real estate. This tax cost the Company, in 1874, the sum of 1,221,409 francs, or \$244,282. It is the first time in the fiscal history of France that such a tax as this has been resorted to, and efforts are making, with some prospect of success, to obtain its repeal. In 1848 the Constituent Assembly proposed to impose such a tax, but the project was abandoned after a full discussion. A similar attempt had the same result some time ago in the National Assembly. Its opponents argued with success that nothing was more important, or more conducive to the material

growth of any commercial and agricultural country, than that the Legislature should abstain from all measures tending to check the flow of capital into real estate investments.

Another point that will attract notice is the large proportion of the mortgages of the *Crédit Foncier* which are in the City of Paris. It was affirmed that the Company was used as an instrument for Hausmannizing Paris. With how much of solid judgment the investments in Paris have been selected the future will prove. Up to the present time there is nothing, we believe, to confirm the charges that have been insinuated against the sound judgment and good faith of the Company. If this is so in regard to the loans in the City of Paris, much more is it so as to the loans made in the country. The report declares that, under the influence of the *Crédit Foncier*, foreclosures have been more rare than in former times, and that the security which is given to the borrower by the long loans of the Company is enhanced by the circumstance that these loans are paid off by annuities, and that the principal is always payable at the option of the borrower, but never claimable by the lender, while the burden of the debt is always diminishing by the steady, continual progress of the sinking fund. "This single advantage of a guarantee against a demand for the principal at a time when it might be, from a financial crisis or some other cause, impossible to procure another loan elsewhere," says the report, "constitutes the *Crédit Foncier* a protection and an inestimable advantage to the country. It has saved the patrimony of many families, and it has averted numerous troubles." The Company claims to have been, with its system of loans, a rampart and a safeguard to the owners of real estate, and to have enabled this important class of the community to pass in safety the most severe trials and monetary panics without suffering as in former epochs of the same sort. We have omitted several points of interest in the report before us, but enough has been said to illustrate certain aspects of the material growth of France since the war, and to show in what way well-managed institutions like the *Crédit Foncier* are contributing to that growth, and are capable of being, with suitable modifications, adopted in this country.

---

## THE POPULAR BANKS OF CONTINENTAL EUROPE.

An important part has been played by the popular Banks in the material progress of Europe during the last quarter of a century. In this country the mechanism by which these institutions are carried on is almost unknown. The necessity for their aid is also lessened in consequence, partly of the extraordinary development of our savings institutions, and partly of the multiplication of our Banks of discount, which are relatively more numerous than in Europe. In England, for different reasons, the popular Bank system has never made much progress, although some efforts have been made to introduce it. At the present time there are, we believe, one or two of the popular Banks in London. From the

report of Mr. Schulze-Delitzsch, it appears that in Germany, Austria and Luxemburg there are not less than 2,409 popular Banks, of which 834 are connected with the central institution at Potsdam, and have made their report to that Bank. These 834 Banks in January, 1874, had 399,741 members. Their capital, including surplus, was \$19,144,860, or an average of \$50 for each member. Their deposits were \$70,065,085. For the year 1873 the aggregate transactions of these Banks were \$514,642,655, which yielded a net profit of \$1,548,310. These Banks are founded on the principle of unlimited liability, each member being responsible to the extent of all his property for the debts of the Bank.

In Russia the system of popular Banks has been recently introduced, and more than 200 of these institutions are in successful operation. The first was established in 1866, in the Department of Kostroma, by a great landed proprietor, M. Zouguinnn, who supplied it with money to begin business with. Many of these Banks, that have been lately founded, have received aid from the elective municipalities recently set up in Russia, which have the legal right to borrow and lend money. The progress of the new Banks was at first slow. The ignorant peasants had but just been emancipated, and, being well-to-do and jealous of their new freedom, they mistrusted that the new Banks were a contrivance invented by the nobles to re-establish slavery. An association was organized, by the efforts of Prince Vassiltchisoff, to combat this prejudice by means of public meetings. This expedient was successful. In 1872, six years after the experiment was first made, there were in Russia 101 popular Banks, having 10,403 members and a general capital of 188,000 roubles, or \$150,400. The deposits reached the aggregate of 309,469 roubles, or \$247,555. The loans advanced to the members during 1872 amounted to 1,100,000 roubles, or \$880,000, and the profits to 43,127 roubles, or \$34,521. The rate of interest at which these popular Banks lend is, on the average, 12 per cent. This rate in other countries may seem high, but it is not so in Russia, where the interest charged on loans to the peasantry is sometimes as much as 100 per cent. In Russia the popular Banks seem to be making more rapid progress just now than anywhere else in Europe, except, perhaps, in Italy. In January, 1874, the Italian popular Banks were 133, and their condition was reported to be very prosperous. Their capital was \$12,671,293, their deposits \$34,295,131, and their surplus \$3,611,703. Their profits for the year 1873 amounted to \$2,096,069.

For most of the foregoing facts we are indebted to M. Charles M. Limousin, whose essay in the *Journal des Economistes* for May gives an account of the Banks in their relations to the co-operative movement in Europe. He says that the success of the popular Banks in Germany, Italy and Russia, and their want of success in England and France, are due chiefly to one general cause. These Banks are suited to a certain plane of social and industrial development, from which France and England have

risen. In towns and country districts where the people know one another very well, as in the little cities of Germany, it is easy to construct with discrimination associations whose members can be responsible for one another. Already in Italy, where civilization is advanced, the popular Banks have had to adopt the principle of limited liability. In certain towns of England or France the system might be applicable; but at London or Paris, at Manchester or Lyons, or in any city where men, though they elbow one another every day, know nothing about each other's business, credit societies of unlimited mutual responsibility are difficult to sustain, if not impossible. Hence it is that in the progress of popular Banks Russia offers of late better results than Germany. For the German Empire is emerging very rapidly from that stage of social and industrial growth in which it was prior to the war, and is advancing into a higher plane of development, to which this form of credit organization was less adapted.

In Russia, on the contrary, the peasants who are associated as members of popular Banks are well acquainted with each other's position, and are therefore able to appreciate the value of the reasons assigned in support of an application for a loan, and to estimate the security which the applicant has to offer. This inferior development of the industrial organism, which is so favorable to the success of the popular Banks, has its evils; but they are attended with obvious compensatory benefits.

In these views there is considerable plausibility. Still M. Limousin appears to us to argue as if the popular Banking system were incapable of modification, and could not be liberated from the mechanism of unlimited liability, which unfits it for large communities where people do not know each other. But this is an error. The Italian Banks have already cut loose from this obstructive mechanism, and their success is manifestly the result of the reform. If a like improvement could be adopted in Germany, a new impulse would no doubt be given to the popular Banking system, which would thus be raised to the level of the new Imperial institutions with their spirit of enterprise, progress, and industrial organization. There is another aspect in which the popular Banks may be regarded. They put capital within the reach of skillful, steady, and frugal mechanics. They thus facilitate the rise of these men from the ranks of journeymen, and their promotion to the ranks of masters and employers of labor. The tendency of modern credit organizations has been to check this promotion, by facilitating the concentration of capital in large masses. Under proper conditions the popular Banks are capable of supplying an antidote to this industrial evil. If the Workingmen's Unions had devoted part of their large funds during the last half century to the establishment in Europe of popular Banks on an enlightened system adapted to the spirit of the age, and to the wants of each country, some of the difficulties which surround the questions at issue between mechanics and their employers would long ago have disappeared.



## CLEARING METHODS AT HOME AND ABROAD.

Modern commerce, as we lately showed, gains by the Clearing-House four advantages. First, a saving of time in making the exchanges. Secondly, a saving of the risk of carrying large sums of money through the streets. Thirdly, a saving of liability to error in counting such heavy sums in cash. Lastly, a saving of loss from counterfeits. Besides these economies there is the saving of currency, and other benefits of a more general character. These are discussed by Mr. J. R. McCulloch, in his *Commercial Dictionary*, who has given a good account of the methods, the functions and success of the London Clearing-House. He describes the system of clearing as it was carried on in that institution twenty years ago, as follows:

"By far the largest proportion both of the inland bills in circulation in the country, and also of the foreign bills drawn upon Great Britain, are made payable in London—the grand focus to which all the pecuniary transactions of the Empire are ultimately brought to be adjusted. And in order still further to economize the use of money, the principal bankers of the metropolis are in the habit of sending a clerk each day to the Clearing-House in Lombard street, who carries with him the various bills in the possession of his house that are drawn upon other bankers, and, having exchanged them for the bills in the possession of those others that are drawn upon his constituents, the balance on the one side or the other is paid in cash or Bank of England notes. By this contrivance the bankers of London are enabled to settle transactions to the extent of several millions a day, by the employment of not more, at an average, than £200,000 to £300,000 of cash or bank-notes. In consequence of the facilities afforded by the intervention of bankers for the settlement of pecuniary transactions, the money required to conduct the business of an extensive country is reduced to a trifle only, compared with what it would otherwise be. It is not, indeed, possible to form any very accurate estimate of the total saving that is thus effected; but, supposing that fifty or sixty millions of gold and silver and bank-notes are at present required, notwithstanding all the devices that have been resorted to for economizing money for the circulation of Great Britain, it may, one should think, be fairly concluded that two hundred millions would, at the very least, have been required to transact an equal amount of business but for those devices. If this statement be nearly accurate, and there are good grounds for thinking that it is rather under than over-rated, it strikingly exhibits the vast importance of banking in a public point of view. By its means fifty or sixty millions are rendered capable of performing the same functions, and in an infinitely more commodious manner, that would otherwise have required four times that sum; and, supposing that twenty or thirty millions are employed by the bankers as a capital

in their establishments, no less than 120 or 130 millions sterling will be altogether disengaged, or cease to be employed as an instrument of circulation, and made available for employment in agriculture, manufactures, and commerce."

Since the Bank of England joined the Clearing-House in 1864, the method of clearing has been substantially as follows, some few changes having now and then been introduced: Every business day, at half-past ten, a clerk from each bank arrives at the Clearing-House in Lombard street, and delivers an envelope to each of the clerks whom he finds there, receiving from each a similar parcel in return. These envelopes contain the bills and checks which each bank holds against the others. When these bundles of obligations have thus changed hands between him and his fellows, our clerk goes to his own bank. He returns at half-past two, and repeats the same process of exchange, after which he leaves the Clearing-House until a quarter to five, when the business closes and the accounts are made up. If any bank refuses to honor the drafts upon it, it must do so before 4.55 P. M.; otherwise it is held to have made itself liable on them to the Clearing-House. Each bank keeps an account at the Bank of England, and the Inspectors of the Clearing-House also keep one. The latter officials, with their clerks, make up the accounts between each bank, and the difference is entered in the balance-sheet, a copy of which is delivered to the clerk, who takes it, and returns for the third time to his own bank. The balance reported on this duplicate, whether debtor or creditor, is paid to or received from the Clearing-House. Formerly, it was settled by payment from the debtor to the creditor banks; now, as we have said, the Clearing-House pays and receives these balances, and its account with the Bank of England was opened for this purpose. The differences are paid by means of a species of checks called transfer tickets, which are of two colors, white and green—the former showing that the bank is debtor, and has to pay a balance to the Clearing-House, and the latter showing that the bank has to receive a balance, and is creditor. These checks are signed by the cashier or other appointed officer of the bank. No money is used in the settlements, which do not seem to be so precisely adjusted as are those of our New York Clearing-House. In London the whole business of each day is cleared in the same day.

In the article on Clearing Methods last month, we referred to the Country Clearing-House at London, and we promised to present our readers with some account of that institution as described by Sir John Lubbock, to whom chiefly it owes its organization. The following is Sir John Lubbock's essay; it was read in 1865 before the London Statistical Society, and appears in their Journal, Vol. xxviii., pp. 364-371.

#### SIR JOHN LUBBOCK ON THE COUNTRY CLEARING.

The last important change which has taken place in the business of the Clearing-House at London, is the establishment of the system which is technically known as the country clearing. A country banker receiving from his customer checks on other banks

in the same town, presents them over the counter for payment in the ordinary manner. It is evident, however, that this method of collection can only be practiced as between bankers carrying on their business in the same town. The system of collection as regards other checks was, until lately, as follows: The country banker, A, receiving a check drawn on another country banker, B, sent the check by post direct to B. B then requested C, his banker in London, to pay the amount to D, the London correspondent of A.

In the year 1858, however, it occurred to some of the country bankers that this system was unnecessarily complicated and laborious, and that it might be simplified by the establishment of a central office in London for the special purpose of clearing country checks. With this object in view, a meeting of country bankers was held on the 29th of September, and a committee was appointed of which the Hon. Alexander Leslie Melville, of the Lincoln Bank, was chairman, while Mr. William Gillett, with whom more particularly, I believe, the idea had originated, acted as secretary.

This Committee placed themselves in communication with, and requested the co-operation of, the London bankers, who held a meeting at the Clearing-House on the 12th of October, to take the matter into consideration. It was resolved that we should give the country bankers all the assistance in our power, and with this object a sub-committee, consisting of Mr. Glyn, Mr. Bevan, Mr. Loyd, and Mr. Smith, was appointed to confer with the committee of the country bankers.

On reflection, it appeared to me that the system proposed by Mr. Gillett, though an improvement on the present system, was by no means the best that could be devised, inasmuch as it would necessitate the organization of a large and entirely new establishment, the appointment of one or two experienced and responsible managers, a considerable staff of skilled clerks, and the use of a large office, all of which would have entailed a considerable expense on the country banks. Moreover, every London banker knows that the operations of clearing require so much accuracy and quickness that we never think of intrusting the operation to any but experienced and skillful hands. The London bankers, on the contrary, had, in my opinion, the means of giving the country bankers all the facilities they required without any great additional labor or expense, and I endeavored to point out in the following paper the manner in which, as it seemed to me, this might be effected:

#### RULES FOR THE CONDUCT OF A CLEARING OF COUNTRY CHECKS IN LONDON.

1. A clearing to be held in the middle of each day for the interchange, among the London bankers, of checks on their correspondent in the country, placed in their hands for collection.
2. Each London banker to remit for collection to his country correspondent the checks drawn upon them, saying, "Please say if we may debit you for checks inclosed."

3 Country bankers wishing to avail themselves of this clearing, to remit their country checks to their own London agent, to stamp across them their own name and address, and that of their London agent.

4 Any country bank not intending to pay a check sent to it for collection, to return it direct to the country bank, if any, whose name and address is stamped across it.

5 Each country banker to write by return of post to its London agent in reply, "We credit you £5,000 for checks forwarded to us for collection in yours of 1st January." Adding, in case of non-payment of any such checks, "having deducted £100 for check returned to Messrs. Smith & Co., at Stockport, and £500 returned to Messrs Jones & Co., at Birmingham."

Of course it would not be expected that the London bankers should undertake so great a responsibility without much reflection. I had to call at every bank, at most of them several times, and explain fully the exact manner in which I proposed to carry out the system. One great objection was, that, under the old plan, a single banker's payment corresponded to several checks. Indeed, some of the country bankers, between whose customers there were frequent transactions, used to transmit the checks on one another daily, paying the difference only once or twice a week. In these cases, of course, a large additional amount of labor and responsibility would be thrown on the London banker by the new system. We had in London means of ascertaining the proportion which the payment bore to the checks, and I applied, therefore, to Mr. Moilliet, of Birmingham, who kindly made an average for me, from which it appeared that there were about  $2\frac{1}{4}$  checks for each payment. That is to say, for each one hundred checks which they took in a day's work, they would have to write forty letters, and we should receive forty payments on their account. The proportion would, no doubt, differ greatly in different banks; the small country banks, which only take a few checks in a day, would probably show an approximation to equality between the checks and payments. Again, banks which are situated on the sea-side might be expected to show a smaller proportion of payments as compared with checks. Birmingham, however, is in a central situation, and, on the whole, it was felt that Mr. Moilliet's experience gave, in all probability, a fair average.

It is unnecessary for me to trouble the Statistical Society with any detailed description of the actual manner in which I proposed to deal with the country checks; it will be sufficient to state that, having under the present system the check itself before us, while under the old one we had, as it were, to create a new check, it became evident to me that it would involve little more writing to pass two checks through our books under the new system than to make one payment under the old one. While, however, it was easy for me to satisfy myself that this would be the case under our system of book-keeping, it was not so easy to convince other bankers that the same would hold good under theirs. It is a remarkable thing how very much the different London banks differ in their respective systems of book-keeping. When a bank is small, and the transactions are few, it is comparatively immaterial what system is adopted; and when a business has grown to a

large size, it is very difficult to make a change. Again, even when similar books are in use in different banks, they as often as not bear different names, and again the same names are applied to very different books.

For these and similar reasons it was very difficult for me to convince my brother bankers that it would be possible for us to meet the wishes of the country banks and afford them the advantages they desired, without taking upon ourselves a more than equivalent amount of labour. It was, however, felt to be very desirable that the system should be adopted if possible, and it was, of course, evident that it could not be efficiently carried out except with the cordial co-operation of all the principal Clearing-Banks. I was, therefore, requested by the Committee of Bankers to meet the principal clerks of the different houses, and lay before them the details of the manner in which I thought that we might carry out the wishes of the country bankers, without entailing any additional labours on ourselves.

At this meeting, which took place shortly afterward, a report was unanimously agreed to, in which the system as suggested by me was recommended for adoption. This report was read to the London bankers, and, after the sub-committee appointed for that purpose had conferred with the sub-committee of country bankers, it was resolved that the papers furnished by Mr. Lubbock, entitled "Rules for the Conduct of Clearing Country Checks," be adopted, and it be recommended that a copy of this paper be sent by each London banker to their country correspondents. At the same time it was resolved to commence the new system on the 23d of November, which was accordingly done, and a large number of country banks at once availed themselves of it.

Very little consideration is required to see that the London bankers herein undertook an operation of a very novel and delicate character. In the first place, we had to agree our balances among ourselves on one day, and settle them two days after on the return of post. It is evident that the system could not be successfully worked if it were not for the great regularity in the postal communications. So admirable, however, are the arrangements of the post-office, and of the various railways, that we have experienced little difficulty on this score. Again, it must be remembered that the checks had to be sorted, not according to the banks on which they were drawn, but according to the London correspondents of these banks. Another practical difficulty with which we had to contend was, that some country banks were in the habit of charging commissions; although the majority of country bankers paid in full all checks drawn upon them, there were some large establishments whose custom was to deduct a small percentage. The amounts thus retained were indeed trifling, probably on an average not exceeding a shilling each,—still in the aggregate they reached a considerable sum, and the manager of one large country joint-stock bank informed me that in the case of his own bank they came to £600 a year. The country banks which had been in the habit of charging these commissions were naturally

loth to abandon a source of profit which required no outlay of capital, and involved no risk of loss; and, in some cases, it was only by insisting that all checks should either be paid in full or returned to the holders, that the system was broken through. The greater number, however, of the banks which had until that time charged these commissions, voluntarily, and very considerably, ceased to do so when it was pointed out to them how much inconvenience was caused by the practice. In fact, the only way in which we could treat the Commission was by passing fresh entries through all our books for each of them, thus practically doubling the work.

It was, of course, evident that the proposed system, though much safer, and in many ways more convenient, than the old one, involved in many cases a certain loss of time. It was indeed a well-established rule, that a banker is not bound to present a check for payment the same day he receives it; that he may present it at any time during banking hours on the following day; and that a check drawn on a banker at a distance is legally regarded as presented when it is posted. Under these circumstances, it was evident that the country bankers had a perfect right to send their checks through London, if it was found more convenient to do so. Nevertheless the country bankers' committee thought it prudent, in order to place the question beyond dispute, to draw up the following case and submit it to Sir Fitzroy Kelly, who was then Attorney-General, Mr. Wilde, Q. C., and Mr. Braithwaite. Since this opinion was given, the question has been decided by an action brought against Messrs. Henty & Co., of Worthing. The case was decided in their favor, and the legality of the country clearing thus finally established. The opinion of these legal authorities is given below. I regret that it is not in my power to give the Society any statistics as to the number or amount of the checks which pass daily through the country clearing. The system has, however, been adopted by the great majority of country banks, and, by having rendered country checks much more negotiable than was previously the case, has been a great boon to the country.

OPINION OF SIR FITZROY KELLY, AND OTHER COUNSEL, AS TO THE  
LEGAL STATUS OF THE COUNTRY BANK CLEARING-HOUSE.

CASE.—Your opinion is requested: 1. Whether country bankers, receiving in the course of business checks on other country bankers, will be warranted in transmitting them for collection to such a central Clearing-House as is described above and proposed to be established? 2. If it be considered that banks so remitting checks for collection will be guilty of laches, whether any difficulty on this point may not be obviated by affixing in each customer's pass-book a notice in writing of the course of business adopted for the presentment of country bankers' checks, or whether the checks themselves may not be made presentable through the Clearing-House, or whether any and what other course should be taken by the country banks to protect themselves from loss on score of laches? 3. Whether the establishment of such a central

Clearing-House in London, to which country checks may be remitted by the country bankers, for the purpose of receiving payment, would be a course of business which, if generally adopted by the country bankers, would become binding upon their customers?

OPINION.—We have considered the foregoing case, and are of opinion:

*First*—That country bankers receiving, in the course of business, checks on other country bankers, will be warranted in transmitting them for collection to such a central Clearing-House as is proposed to be established *upon the basis above stated*, in all cases where the bank transmitting checks to such central Clearing-House is within such a distance from London as to admit of the checks so transmitted being posted from London to the respective banks upon which they are drawn, on the day next after such checks are first received by the transmitting bank. The rule is well settled, that the holder of a check may present it at any time during banking hours on the day after he receives it, and we apprehend it to be clear, that where the holder and the bankers on whom the check is drawn reside in different places, a check *posted* the day after it is received to the bankers on whom it is drawn would be considered in point of law as presented in due time, though not in fact actually delivered to such bankers on that day. In cases so circumstanced the act of forwarding the check by the general post is, as regards the question of time, equivalent to presentation. This being so, the proposed arrangement for a Clearing-House for country checks would not, in the case of bankers residing within the limits above specified, have the effect of interfering with the ordinary rule.

But as regards banks situate at such a distance from London as not to admit of the checks, transmitted by them to the proposed Clearing-House, being posted *from London* to the banks upon which they are drawn, on the day next after such checks are first received by the transmitting banks, we are of opinion that they could not avail themselves of the proposed arrangement, without incurring the risk of being made liable to the losses which may arise from the non-payment of such checks on their presentation or transmission after the time limited by law.

*Secondly*—As regards banks lying beyond the requisite distance from London, we think that the difficulty may be obviated by giving to each of their customers distinct notice of the course of business adopted for the presentment of country bankers' checks, through the medium of the proposed Clearing-House. This notice may probably be most conveniently given, as mentioned in the case, by means of a printed notice in each customer's pass-book, but we do not think that it would be sufficient merely to state upon the checks that they are presentable through the Clearing-House, unless it were proved that customers signing such checks clearly understood the course of business adopted at the Clearing-House.

*Thirdly*—We do not think that the establishment of the proposed Clearing-House can create a usage binding on parties *not cognizant of it*, at variance with the existing law.

## TRUE AND FALSE NOTIONS ON BANKING AND INDUSTRIAL CREDIT.

A LECTURE BY M. LOUIS WOLOWSKI.

*Translated by Dr. George Marsland.*

Credit is assuredly one of the most delicate and important subjects in the domain of political economy and industrial legislation. You know what a multitude of hopes cluster around the word. You know that for many minds credit has the power of a magic ring which might, by some occult agency, change to-morrow the condition of a great many people all over the country. I quite agree with those who think that credit is one of the most powerful levers which can be set in motion to raise the condition of the working classes. But for this very reason, and because I so fully appreciate the benefits that credit is able to confer, I am all the more anxious to drive away the mists which hide the truth. In this instrument which we call credit, there is a solid reality, and a productive force; but, at the same time, it works an illusion like that of the mirage, which spreads before the eye of the traveler wonderful cities and fantastic dwellings, at the very time that he is losing his way in a vast desert of sand.

What is this credit mirage? It is the illusion which makes men believe in the possibility of changing, by a sudden stroke, the economic facts that are about them in the world, just as the scene-shifter's whistle transforms the stage at the opera. The mirage is that illusion which confounds true wealth with the sign or symbol of wealth; which supposes that the precious metals, gold and silver, are the main-spring of the economic machine, the essential forces and elements of production. This is about as absurd as to go to the opposite extreme, and say that gold and silver are superfluous commodities. These metals have to play an important part, though a secondary one. We are not to imagine that by some legerdemain, by some expedients more or less ingenious, we can make paper play the part of gold and silver, so as to multiply wealth at will and to open its teeming source to all who wish to partake. This argument is plausible, but it lacks support. It starts with the premise, "gold and silver constitute wealth," and it infers that "whatever takes the place of gold and silver is wealth."

But we can, with a few reams of paper passed under a press, create bank-notes. Nothing is easier than to create in this way any amount of wealth we like. And we must be very hard-hearted, indeed, and deaf to the cry of suffering, to be unwilling to give wealth to all. This is the illusion on which I make war.



It is a phantom which leads astray every one who follows it, for it can yield nothing having the smallest tendency to help the struggles or to better the lot of the masses of the people.

Let me ask what it is that has the power really to change the condition of men, whether viewed as individuals or as nations? Does this power of transformation reside in a mere mechanical instrument? Distrust and suspect everything that tempts you to think that outside of yourselves, separate from your own energy and moral worth, there lies an immense field to subdue. No; Providence has willed that man's well-being should be firmly bound to his moral and intellectual growth. The true source of progress, the real foundation on which alone we can build the future prosperity of the working classes, is personal energy, developed more and more into intellectual progress and productive power.

What is credit, of which we hear so much? Is it anything else than the confidence which man inspires in the breast of another by his intelligence and honesty? Is it anything else than a means whereby we succeed in placing at our own disposal, through the confidence we have merited, other people's instruments of labor, which they cannot use to so much advantage as we can? Again, what is credit in its relation to the question of banks? It is nothing more or less than the means by which the resources already created, the products of previous labor saved by thrift, sacrifice, and forethought, can be put usefully and cheaply into the hands of men who will be able, by their industry and skill, to make these savings more productive.

Credit is not a creator of phantom-wealth. Remember the words uttered by one of the best friends of working men, who indeed sprung from their ranks to acquire the highest and purest honors—Benjamin Franklin. He says: "If a man tells you that you can make any progress whatever except by toil and thrift, do not listen to him, his words are poison." It is by energy, intellectual or physical, by labor of body or mind,—and, secondly, by economy and saving, which sacrifice present pleasure to future security, or to the well-being of those dear to us,—that you can alone hope to achieve any success in producing wealth. As for the mechanism, more or less ingenious, by which theorists pretend to foster your hopes, do not trust them. When closely examined, these schemes resemble the conjuring tricks of the magicians of the middle ages; whose work vanished the moment the spell was broken. There are in the spheres of banking and finance two opposite sides,—one dark, the other luminous. On the dark side thrive magical devices to create something out of nothing, and to convert credit into capital. On the contrary side we find no such deceptive arts, and the great object with us all should be to keep on the right side, where there is something which is not fanciful or deceptive, but real, productive and permanent.

Returning to the dispute about bank-notes, we find one party declaring that the bank-note is capital. This the other party deny; they say the note is of no real use, because it is not

capital. Which of these opinions is correct? It seems likely that neither is wholly true, for the simple reason that truth seldom lies in the extremes on either side. The bank-note has its uses. It aids us much more by what it enables us to avoid than by what it enables us to produce. A bank-note regarded as an expedient, by which a given quantity of wealth can be indefinitely spread out and multiplied, will disappoint expectation. It cannot absolutely take the place of the precious metals. What, then, can it do under a system of specie payments, where the notes are convertible on demand? We answer that the bank-note is competent in a restricted degree—much more restricted than is commonly supposed—to supply the place of gold and silver in one of their functions in the circulation, namely in the work of transporting commodities from hand to hand, so that the exchange of any sort of products may be equally facilitated. But the precious metals do not constitute the whole body of our wealth. They make up a very small part of it.

In what consist the precise function and work which the precious metals have to perform in the financial machinery? This work may be looked at from two points of view: first, gold and silver are the acknowledged measure of value. They are a measure of value which is the least imperfect, the least unstable, the least variable that can be had; secondly, they are a means of accumulating products, of facilitating the transactions of business, and causing them to go on swiftly and with safety. The monetary coinage is a marvelous machine of co-operation, by which all the community unite in the common task of distributing the benefits of the labor of all among those who have contributed to do it. Money is a means of instant remuneration of every service received; and gold and silver can be replaced in the channels of the circulation by the bank-note on this one condition, that these metals do not cease to be the solid ground on which the transactions of business go on in security and without interruption.

It is not by economizing a part of the metal employed in the circulation that the bank-note renders the greatest service to commerce; it is rather by the facility it gives us of saving the friction of the instrument of the exchanges, whether it be gold or paper. Presently I shall try to explain what I mean when I say that the bank-note develops industrial growth and more advanced combinations of credit. It does this by stimulating the opening of current accounts, by facilitating set-offs in the books of the Banks by the establishment of Clearing-Houses, by leading on to the increase of transactions by checks. In these and many other ways it develops a power which gold and silver do not possess, and does a work which they cannot do. Look at the railroad with its prodigious powers of transportation. This wonderful invention a few years ago was deemed impracticable by eminent thinkers. But its success and its triumphs are familiar to the world to-day. Everybody knows that the same force employed in traction will move a much heavier load if this load be mounted

on two parallel bars of iron, and if these bars are placed on the ground, instead of rolling the burden along the ground itself. What is true of wagons is true of bills or bank-notes. These are to the circulation of wealth what wagons are to the circulation of goods. No doubt, if the circulation becomes easier and swifter, the same number of wagons will be able to meet heavier demands for transportation. They will serve as a means of traveling more swiftly, and of transporting a greater quantity of merchandise. But if the railroad has already as many wagons as are necessary to carry all the goods intrusted to it for transportation, what possible good can it gain by constructing more wagons? Where is the use of multiplying wagons if the quantity of goods to be carried remains the same? If the facilities and instruments for swift transportation are up to the requirements of the work to be done, all the new wagons that are built will lie idle. The case is precisely the same with the monetary circulation. The superabundant notes that may be issued when the machine of the circulation is already complete add no new element of wealth. They are superfluous. They lie idle.

I am wrong. The result is worse than I have said. The notes would not lie harmless and idle. Here is the difference between the wagons and the notes. In the former some loss of interest might accrue while the capital invested in the wagons was idle, but soon this waste would cease and the wagons would be wanted. But in the case of the bank-notes there is no such hope. If fiduciary circulation be issued in excess, the surplus issues serve no good end. They do harm. In fact the surplus bank-notes which are put out drive away a corresponding quantity of coin, and cause it to be exported. In quiet times this movement is scarcely seen. But as soon as a threatening storm-cloud looms in the horizon and confidence is shaken, men fall back upon realities. Everybody demands gold instead of notes. The country pays dear for the economy which it has tried to achieve in working the machinery of the circulation.

In cases where gold does not go abroad, but is prevented from doing so because it has already been exported to such an extent that the outward flow cannot increase, let us see what consequences will result from the excessive emission of notes. First there will be a blocking up of the channels of the circulation, next a change in the prices of commodities, and thirdly artificial dearness of the necessities of life. Thus the first victims who are reached by experiments of this sort are the working classes. Their wages do not keep pace with the rise of general prices. There is an artificial disturbance going on in the cost of the necessities of life, but in the wages of labor there is no such rise. Thus, we repeat, that it is the men who labor, and who have the least power to bear the loss, that have to pay the cost and to bear the burden of this bad financial strategy.

It has been argued that the facilities for creating bank-notes offer a great advantage to labor, because they lower the rate of discount, and tend to reduce the interest of money. Here, again, I hope that I have carried into your minds some conviction, and indeed that I have given demonstration of the fact that it is not by any artificial creations that we can succeed in lessening the rate of interest. I hope I have shown you also that we must keep up a constant watch against rash deductions and plausible appearances, both in regard to the theories about the rate of interest and about the other parts of the science of finance; no doubt the reduction of the rate of interest is a good thing. One of our greatest, the greatest of our economists, nay, more, of our good men—Turgot—has shown by a striking simile how grand and important must be the consequences of such an economy in the price paid for the hire of capital. In enlarging production, he says, or in contracting it, the rate of interest is like a flood-level, "below which all labor, all cultivation, all industry, all commerce cease. It is like an inundation spread over a vast country, the tops of the hills rising above the waters and forming fertile and cultivated islands. When the waters begin to ebb, in proportion as the level falls the slopes of the hills are laid bare, the plains and the valleys come into view, and yield all kinds of produce. The rise or fall of the flood-level to the extent of a single foot suffices to inundate or to give to cultivation immense tracts of country."

It is quite true that the rate of interest acts on production as the rise or fall of the flood-level acts upon harvests; but on what condition does all this take place? This is an important matter, for every question that can be mooted is complex, and it is this complexity which causes divergencies of opinion. Error often arises from our pursuing a specific truth till it blinds us, and shuts from view other truths equally important. It is at the point of intersection of these truths that we can alone see the finger-posts which guide us to the Temple of Truth. Of truths there are many, but Truth herself is one.

The reduction of the rate of interest is certainly desirable, other things being equal. What does interest express? It expresses the sacrifice yielded up by the labor of the present to the benefit of the labor of the past. This sacrifice is seen and may be examined in two forms, the absolute and the relative. If all other things are equal, it is plain that in proportion as the absolute sacrifice is diminished the advantage is the greater for the labor of the present. But if production is more enlarged the case is different, for through the instruments and labor-saving machines that are employed, the various elements of wealth give more fruitful returns, and the part which is given up by the labor of the present as a reward to the labor of the past, may be absolutely large but relatively very small. Indeed ten thousand francs of interest may seem a large annual sum for a petty manufacturer to pay for interest on borrowed capital, but if by the skillful use of the loan, and by the machinery set up with this borrowed money, the

tradesman increases his yearly profits by twenty thousand francs, it is clear that he can well afford to pay 10,000 francs as interest; for he will have created by its means twice as much as the capital was hired for. This illustrates what is meant when we say that the interest on capital may be relatively small, while absolutely it seems large. In the United States, for example, the amount of absolute interest which a man pays for loans may amount seemingly to a heavy sum, while it is really small because of the amazing fecundity of labor. In return for his outlay for interest, he gets an amount of productive power which enables him to pay his interest and still retain for himself a much larger sum than he could otherwise earn as the profits of his own industry, management and skill. Now look to the north of Europe. Generally speaking, the rate of interest there is quite low, and why? For no other reason than because production in those countries has little of that fecundity of which I have been speaking, and because the outlets are few for the employment of idle capital. These countries would be benefited if they had to pay as high rates of interest as the United States, provided they could at the same time be endowed with a like rich fecundity of production.

Let us come back to the distinction which I have tried to make between illusory and real facts. Which facts are the real ones? How can men in whose hearts is a sincere love of progress do any useful work, or help in promoting progress? They can do this by aiding every enlightend effort to accumulate the solid resources of the country, and to attract into fit channels the little streams of capital which are in danger of being scattered and lost for want of proper means by which they can be collected and poured into the national reservoir of floating capital from which the vast organism of industry is fed.

By what means shall we save the diffused capital of the country of which so large a part is thus in constant danger of being dissipated and lost? We must attract it by offering to pay interest for it. Having thus gathered up the precious streams into the distributing reservoir of our banking system, we must pour them thence to fertilize the field of labor, and to irrigate it. We must put into the hands of the industrious, honest worker, instruments of production, that he may operate them so as to earn a profit for himself, while he enriches the country and enlarges the grand current of its available wealth.

Among the successful attempts to realize these ideas, a conspicuous place must be given to the savings banks of modern Europe and America.

Another illustration may be taken from the popular banks of Germany. These banks are better known in their general features than in their mechanism. Their object is to attract and accumulate for use the idle reserves of working people, and to receive their savings. With the funds thus accumulated these banks open credits for trustworthy men of intelligence and experience. The

popular banks of Germany have thus achieved this gratifying result—that all those who labor can raise themselves higher and higher by their own efforts. To the working classes these popular banks are more useful, and confer more solid benefits on them than can be even promised by the reformers who advocate the cause of labor, or by those governments who would interpose to ameliorate the lot of the working classes.

No notes payable to bearer on demand are issued by popular banks. Those institutions have a much better resource to depend upon. Their funds are derived from a capital which knows no limits, which is forming every day in the great still of the financial mechanism, where this capital is condensed drop by drop till it accumulates and fills up ten thousand fructifying streams which are distributed throughout the industrial organism. It is the capital of forethought, of daily sacrifice, which connects that which *is* with that which is *to be*, and gives a pledge of a better future to those who do all that in them lies to gain it. Thanks to the popular banks, every workman may also play the part of a capitalist, accumulating his savings and putting them in the vaults of the popular bank, which institution is thus growing more fruitful and more conducive to productive growth than even the excellent system of the savings banks, whose usefulness and power are so well known. Savings institutions have done a great work, and are still rendering important services in the field of economic progress. But they need to be raised up to a higher level of efficiency. In the popular banks every depositor who contributes to the general fund by his savings, has the right to ask for a credit on the books of the institution, and to partake of the benefits of that fund which owes its existence in part to himself and to his savings. In France similar institutions might grow and ought to be fostered. Already a beginning has been made. There exists a *Société de Crédit au Travail*, which is growing up, and promises good fruit and long life. It receives the savings of workmen, and lends them out to those who are able to offer sufficient guarantee that they will use the money productively. This mechanism of the popular banks is one of the most powerful instruments for raising the condition of the working man known to the science of our day. Its whole secret lies in one simple maxim which it inculcates on every living man, "Work!" It says: "Better yourself, elevate both your mind and your heart, and nothing can keep you down, for you will rise by the living force that is within you. Wait for nothing outside of yourself. To wait kills in the soul that effort and sacrifice which can do greater things than all outside aid can achieve. Work, follow the law of sacrifice, and you will not live for the present moment only. You will gain the assurance of future comforts for yourself and for those dear to you. You will put yourself beyond the reach of poverty, and will enjoy the well-being you have won with that inward contentment, that uplifting and expansion of soul which makes

us happy in the victory over ourselves." Such is the latest result, the truest practical wisdom which the economic science of the present age has to offer us for the solution of the problems that have been mooted as to the conflicting relations of labor and capital. These questions will never be settled by the idle vamping of demagogues. The true source of all progress for the working man is in his own hands. The banks may help him, the Government may help him, the organization of credit may help him, but all these helps are minor and subordinate. If he would avail himself of such aids, he must go to work, and by honest labor, frugal thrift, and trusty integrity, learn to elevate and to help himself.

---

### THE TREASURY AND THE PACIFIC RAILROADS.

On the 31st of May in the United States Court of Claims, Justice Nott delivered the opinion of the Court in the long pending and extremely important case of the Union Pacific Railroad Company against the United States. This suit grew out of what was known as the "Credit Mobilier Investigation, No. 2," made in the winter of 1872-73 by a Committee of the House of Representatives, of which the Hon. J. M. Wilson was Chairman. That investigation threw a cloud of suspicion over the circumstances under which legislation favorable to the Pacific Railroads had been obtained, and fostered the popular impression that, while these corporations had been generously treated by the Government, their agents had used improper and dishonest means to deprive the Government of such reimbursement as the roads were legally bound to make. For the purpose of securing to the Government all its supposed rights the Special Committee reported and Congress agreed to a section in the Legislative, Executive, and Judicial Appropriation bill, approved March 3, 1873, directing the Secretary of the Treasury to withhold all payments to any railroad company, on account of freights or transportation over their respective roads of any kind, to the amount of payments made by the United States for interest upon bonds issued to any such company, and which should not have been reimbursed, together with the five per cent. of the net earnings due and unapplied, as provided by law. The companies, on the other hand, were by the same act authorized to bring suit in the Court of Claims to recover any such sums withheld, and either party was given permission to appeal from the decision of that Court to the Supreme Court of the United States.

The decision of the Court of Claims is a great surprise to a large number of well-informed persons who are familiar with the whole history of the legislation. The appeal will have precedence of all other business in the Supreme Court; and may, therefore, perhaps be argued at the Fall Term. The opinion of the Court, as

pronounced by Mr. Justice Nott, contains so lucid a statement of the case, and has commanded so much attention, that we publish it complete.

#### OPINION OF THE COURT.

This case comes before the Court in two distinct forms: First, in that of an action brought by the Union Pacific Railroad Company to recover one-half of certain freight earnings withheld from it by the Government; and second, in that of a cross action brought by the United States to recover back the interest which they have paid to third persons upon their bonds heretofore loaned to the Company to aid it in the construction of its roads. The Company admits that the Government has the right to withhold one-half of such moneys as the road may earn by transportations of mails, military and other supplies. The United States insist that they may withhold all of these earnings, and apply them in payment of their advances already made, or maintain their action for the interest on the instant that it is paid to the holders of the bonds. The statutory history of the case, briefly stated, is this: The act of 1862 provided that the United States should loan to the Company Government bonds, upon condition that the Government have the right to withhold all the moneys that might become due to the Company for the transportation of mails, military and other supplies, and apply the amounts thus withheld to the principal and interest of the debt. The act of 1864 substituted a half for the whole, and assured to the Company the right of present payment to the extent of one-half of its earnings. The act of 1871 directed the Secretary of the Treasury to pay this half, as provided by the act of 1864, he having then recently withheld the whole. The act of 1873 "directed" the Secretary to withhold all payments to the amount of payments made by the United States for interest, and provided for testing judicially the right of the Company "to recover the same," and the right of the United States to recover back its advances. It is to be noted at the threshold of the case that these two rights, if they exist, are distinct and independent. The Company may have a valid cause of action against the Government, and the Government may have a valid cause of action against the Company, and the validity of either will not necessarily impair the validity of the other. When both of these rights can be asserted in the same suit, by action and cross action, the greater will practically swallow up the lesser, but will not in a legal sense defeat it. The Court in such a case simply credits to each party what he is entitled to recover, and renders judgment in favor of one for the balance. So far as the Company's side of the case is concerned, it is manifest that its right of action must be maintained. For a valuable service rendered a present debt accrues, unless the parties have expressly provided that payment shall be deferred, or appropriated to a particular purpose. In this case purpose was declared by the act of 1864, which authorized the withholding of half, but assured the payment of the remainder. Under that act, and prior



to any subsequent legislation, the whole railway was constructed by the one party, and all of the bonds were issued by the other. Therefore that statute, in every legal and moral sense, measures the rights and liabilities of the parties.

The real and important question in the case is whether the United States can maintain their action to recover back the interest which they have advanced; and its importance is manifested, as was suggested by the learned Assistant Attorney-General, by the possibility of this resulting consequence—that if they cannot maintain this action now, they may not be able hereafter to charge interest upon their advances. In approaching the decision of the case, the Court has considered, but cannot adopt, the proposition maintained by the learned counsel of the claimant, that the payments made for several years by Secretary McCulloch constituted a cotemporary construction of a contract by the parties, such as courts are ordinarily bound to adopt. The Secretary was not the contracting agent of the Government, but simply its administrative officer for carrying out the provision of the law. Moreover, there was no express contract in these transactions to be the subject of cotemporary construction. A statute may contain the elements of a compact by pledging the public faith, but it is nevertheless to be construed according to rules for statutes and not according to rules for contracts. In cases of contract, it is the purpose of courts to ascertain and give effect to the real intent of the parties. Ordinarily this is to be deduced from the words of the instruments; but where parties, at time of performing, by their mutual act give their own meaning to their own words, the courts adopt it as the true meaning, however illogical it might otherwise be deemed. The mutual understanding and agreement of two opposite minds is one thing to be found. When it is ascertained, the work of interpretation is ended. In cases resting upon statutes, there is no mutuality of agreement to be sought out. All of the terms of the compact are dictated and accepted by one side, and the only intent which judicial construction can make certain is the interest of the legislative power. It was urged with great earnestness that the Government is now estopped from setting up a doubtful construction, because, by the former policy of paying, it misled the Company into subjecting itself to ten forfeitures. But the Government is not now asserting a forfeiture. An equitable estoppel only precludes a party from asserting that which, in good conscience, he ought not to assert. If the money be owing to the Government, good conscience does not require it to refrain from collecting the debt, for enforcing the collection of a debt due works no legal wrong to the debtor. When the Government attempts to enforce these ten forfeitures the doctrine of estoppel may be applicable. To apply that doctrine to a suit for the collection of the debt without asserting forfeitures would be carrying the doctrine beyond its well settled and rational bounds. Neither do we attach to the act of 1871 the conclusiveness attributed to it by the claimant's counsel.

As before shown, the Company has a demand against the Government for services rendered, and the Government has a demand against the Company for money advanced to its use. It was perfectly consistent with the reservation of its rights for the Government to pay its debts to the Company without compelling the Company to pay its debts to the Government in 1871. A Secretary of the Treasury asserted this right of set-off, which up to that time had lain dormant, and refused to pay the debt of the Government to the Company. By the act of 1871 Congress interposed and directed the Secretary in effect not to assert this right of set-off, but to go on paying the debts of the Government as before. By the act of 1873 Congress interrupted the policy of allowing the Company a credit for the advances, and directed the Secretary to assert for the Government the right of set-off, or, in other words, to insist, to that extent, upon the payment of the Company's debts to the United States. If these advances for interest became debts of the Company, due and payable as fast as they were made, the Government might rightfully and legally do one of two things—either it might treat them as fresh loans, and charge interest upon them from the moment they were made, or it might insist upon their immediate payment in whole or in part. The act of 1871 authorized the credit; the act of 1873 insisted upon the payment. The one did not extend to any cause of action belonging to the Government, the other did not infringe any right vested in the Company; both left the original compact entirely untouched, as it stood declared by the statutes of 1862 and 1864.

We come now to the final question in the case. The acts of 1862 and 1864 declared and still define the bargain, whatever it may be. The learned Assistant Attorney-General has insisted that these acts, in legal contemplation, are nothing more than a charter of and grant to the Company, and that the consideration to the United States is, in legal effect, nothing more than the consideration of public benefit which is theoretically received for every statute creating a body corporate. It is well known to every one that, when these statutes were passed, the United States were threatened with dismemberment, and that thoughtful persons apprehended with concern the possibilities of the territory of the republic falling into three parts, and of the portion west of the Rocky Mountains, separated by deserts and cut off by natural barriers, forming an independent sovereignty. It is also equally well known that constantly recurring Indian hostilities upon the plains rendered some means of speedy transit indispensable. Finally, it is equally beyond dispute that the Government was possessed of quantities of unsalable land, which it desired to bring within the reach of purchasers. Considerations, therefore, political and financial, of no common magnitude, must have operated upon the legislative minds as inducements for all the franchises and grants which these statutes created and conferred. Nevertheless, the magnitude of the consideration does not change

the character of the legislation, nor vary the rule of construction by which the rights of the grantee must be measured. The judiciary can never weigh the advantages that a particular grant secured to the Government, nor say, in one case, that the consideration was so great that the statute should be deemed a contract, and construed liberally, and, in another, that the consideration was so small that reciprocal advantages accrued to the Government, and the statute must be deemed a grant and construed strictly against the grantee. But these acts of 1862 and 1864 contain something more than provisions to create a corporation, and counted upon its franchises and grants. The statutes really embody both a charter and a compact. As to those provisions which create the corporation, which limit its rights and franchises, which present its obligations to the public and confer grants and benefits upon it, the statutes are nothing more than a charter. But as to those provisions which bind the Government to do something, which cast distinct obligations upon it, which carry it into the region of mercantile transactions and make it take a financial part in the enterprise, the statutes belong to that class of legislation which is to be so construed as to carry out the liberal and just intent of the legislation. The rights and duties of the Company as a body corporate are not involved in this suit. The things which the Government agreed to do or not to do form the only subject for judicial determination. When the project of embarking the United States in this enterprise by loaning Government funds to the Pacific Railways was sanctioned, these contingencies must have been contemplated by Congress: (1) that the earnings of the Company, in the way of Government transportation, would be substantially equal to the interest of the bonds, a contingency not unlikely, although the Government could regulate the quantity of freight which it would send over the road; (2) that the earnings of the Company would be materially greater than the interest, a contingency that would remove all question of present indebtedness, and tend to reduce the principal of debt long before the bonds would mature; (3) that the earnings and five per cent. would be materially less than the interest, a contingency that has actually happened. The amount which the Government was to loan to the Company was known with tolerable certainty, and the earnings of the Company could be found, with some approximation to truth, by ascertaining the quantity of freight which the Government would be likely to send the road, and the rates which would probably be charged. It was within the power of Congress to have provided that each party should pay its debts to the other as they accrued, and it was also within its power to make some other and more complicated arrangement by which each, to some extent, should share in the risks of the enterprise, and participate, to some extent, in the success. The simplest form of transaction would have been that the one party should pay the freight bills whenever they were presented, and that the other should refund the interest as soon as it was advanced. Was that the substance of the obligation which Congress assumed

toward and exacted from this Company? The act of 1862 fixed the time when the principal of the debt should become due, by saying that the Company shall pay said bonds at maturity. With regard to the interest the act is not equally explicit. But so far as its express provisions go it provides this mode of payment: All compensation for services rendered for the Government shall be applied to the payment of said bonds and interest until the whole amount is fully paid; and after said road is completed, until said bonds and interest are paid, at least five per centum of the net earnings of said road shall be annually applied to the payment thereof. It is a fundamental principle of law, that when one man pays money to the use of another, a present debt immediately ensues. But it is doubtful whether this can be interpolated into a statute, and it is not applicable when there is an express agreement which prescribes a different time or a specific mode of payment. These provisions of this statute are not followed by a declaration saying, in effect, that if a balance of interest remain after the application of these sources of payment, such balance of interest shall become immediately due and payable. On the contrary, the time and mode of payment, so far as they are expressly designated by the statute, are satisfied by the application of the moneys derived from these two sources.

The Assistant Attorney-General has argued that these were not intended to be the exclusive sources whence the repayment of interest on the bonds might be drawn, but that they were inserted to create a sinking fund for the ultimate payment of the bonds, inasmuch as lands were to be sold by the Company on which the Government originally held a mortgage. If the amount derived from those two sources, it was said, should exceed the interest on the bonds, the Government would put aside the remainder as a fund for the final extinction of the debt, and would allow interest to the Company upon it. However judicious and just such a course might have been, there are two reasons why the Court cannot give such a construction to the statute. In the first place, it does not provide for a sinking fund, which is an artificial means for paying a debt, unknown to the law, and necessarily the creation of express agreement or express enactment; nor does it authorize the allowance of interest on any such fund, nor couple these two sources of revenue with any object save that of being applied to the payment of such bonds and interest. In the second place, though lands were to be sold upon which the Government held a mortgage, still the amounts were to go into the road upon which the mortgage rested. The form of the security changed, but the mortgage followed the proceeds; the security was transmuted, but not relinquished; and the change from unsalable lands to a completed railway, in the contemplation of Congress, might have increased the value.

Moreover, and this is the chief point in the case, the statute makes no distinction between principal and interest, nor indicates in any way that the debt for the one shall mature at a different time than the debt for the other. Furthermore, a previous section

of the statute declares that the amount of said bonds, together with all interest which shall have been paid by the United States, shall constitute a mortgage upon the road. In the present predicament of the transaction, the Government is largely in advance for interest, and there at first appears to be no consideration received which should bind it to suffer a serious, if not disastrous, loss. But if we reverse the condition of affairs, it will be seen that a similar loss would fall upon the Company, and a corresponding gain ensue to the Government. That is to say, if the Government had required a larger amount of transportation and the net earnings had greatly exceeded the reality, so that the two more than equaled the interest, then the Company would be paying off the principal of its ultimate indebtedness to the Government long before the Government would be paying its debt to the bondholders; and as the Company had mortgaged its road to secure the repayment of the amount of said bonds, together with all interest thereon which shall have been paid by the United States, a corresponding loss of interest would likely fall upon it. Now, when statutes have provided two sources for the payment not only of interest, but of a great deal more—that is to say, a portion of the principal before it becomes due—what reason can there be for the judiciary to interpolate by mere construction a third source into the statute? Assuredly none. If the statute had stopped without interest, and had provided that the remainder, if any, of the transportation should be paid to the Company, there would be good reason for saying that a reciprocal objection was implied, and that the Company should be held liable to make the interest account whole. But in the plight which Congress has placed the reciprocal and intermingling rights and interests of the parties, we perceive no reason why the Government should consider the varying balances of its advances a liquidated present debt, subject to immediate collection. But beyond the confines of all the disputed construction there remains an uncontroverted provision in the statute which seems decisive of the legislative intent. The only party to whom an option is reserved by the acts is the Government, and that option is the important right of making the Company's services as little or as great as it pleases. If it requires these services the Company cannot withhold them. If it refuses all employment, the Company cannot exact it. As the compact originally stood, the Government could keep down this interest without the expenditure of any ready money, by simply furnishing to the Company this employment, and it might push the advantage to an unlimited extent, even to carrying the earnings of the road to the liquidation of the debt before it had matured. The subsequent statute, which substituted a half for the whole of the earnings, did not affect the legal import of the Government's reserved discretion, nor change the legal relations of the parties, nor vary the construction applicable to the original statute. It was an alteration in degree, and not in kind, and still kept the Company on this matter of service entirely subject to the orders of the Government. In con-

temptation of law, the wrong and injury of which the Government complains are entirely of its own choosing. Courts of law cannot be invoked to aid persons when they themselves possess the means of redress. If an ordinary party were to come into another court with such a complaint, he would be told, "Either you have artfully withheld this employment from the other contractor, or you have been enabled to furnish it to him. If the former supposition is the fact, then the fault is your own, and you cannot ascribe wrong to one who you confess has always been willing to repay you in the manner which your agreement prescribes. If the latter is the fact, then, because the sources of payment which you provided disappoint you, and because the payment in kind which you elected to take gives you more of the transportation service than you really require, you are trying to shift your loss to other shoulders than your own. Your misfortune is really this, that you made an improvident bargain."

The judgment of the Court is that the claimant recover of the defendants the sum of \$512,632.50, and that the counter claim of the defendants be dismissed.

This opinion we have at present no intention to examine at length. One or two remarks must suffice. First, as to the real question at issue between the Pacific Railroads and the people of the United States. The Pacific Railroads claim to be allowed to be pensioners on the National Treasury, and to receive several millions of advances of interest out of the annual taxes imposed on the country. These advances the Railroad men claim that they are not to repay until twenty years or more have passed away, and their bonds have matured. The principal of these bonds is \$64,623,512, on which the interest amounts to nearly four millions a year. Already the Government has paid in cash 26 millions of interest, of which the Railroads have repaid, by transportation, six millions, leaving 20 millions unpaid. It is these 20 millions of back interest about which the present contest has arisen. The Treasury claims that the interest ought to be paid by the Companies, because it is only a temporary debt, due to the Treasury on demand. Holding this view, the Secretary has refused to pay to the Railroads the moneys due them for transportation. To recover these moneys so withheld the above suit was brought, and Judge Nott's decision, if it be not reversed, will give a complete triumph to the Railroads, and will make them a burden to the United States Treasury for many years to come. The bonds on which these four millions of interest accrue do not mature before the year 1895, and the only security held by the United States for these large advances is a second mortgage on the Railroads, the value of which, at such a distance of time hereafter, cannot possibly be fixed.

Secondly, it evident, on the first cursory examination of the facts and statutes, that so heavy an annual charge as this is not contemplated in any laws which Congress passed on the subject. This view is confirmed the more closely we examine the statutes

and the evidence. It is a principle of legal interpretation that statutes of this character should be construed strictly, and that nothing passes to the beneficiaries except it is positively and clearly set down in the law. "Where," it is asked, "do we find it clearly and positively promised to the Railroads that they shall be allowed to burden the Treasury to the extent of four millions a year for interest on bonds used in building the roads? If such a promise was made, and was made constitutionally, then, and then only, can the extravagant claims of the Railroad Companies be sustained. No such promise can be found in any statute of the United States. Hence the claims in question have no force and must be refused." Such, we believe, was substantially the argument by which Mr. Boutwell defended his policy of treating the Pacific Railroads as debtors bound to repay on demand all advances which the Government has made, or shall make, of interest on the bonds issued to the Pacific Railroad Companies.

We have discussed this question so far from a purely legal point of view. It has also other aspects. In working out the grand system of trans-continental traffic, and completing the railroad network created by the law, certain equitable rights have arisen which will no doubt be defined and vindicated in the ultimate adjudication by the Supreme Court.

---

### THE LABOR QUESTION.

In all rich commercial countries, the labor question is a very complicated one. It may be viewed in many different aspects. From the stand-point of the working classes, it is often regarded as involving two narrow problems: first, how can the general average wages of hired work-people be increased? and secondly, how can their hours of labor be lessened? From the stand-point of the employer the labor question assumes a somewhat different form. With the master the problem is to diminish the expenses of his establishment, and to keep them from eating up his capital. He knows very well that of the masters who fail in business a large proportion are ruined for the simple reason that they were not good economizers in regard to the general expenses of their business; and of these expenses the weekly wages form a chief part. Secondly, from the master's point of view the labor question includes an exemption from the evil of strikes and frequent interruptions of the steady course of production. To prevent such an evil the masters have often in recent strikes been compelled to yield to extortionate demands for increased wages, because, although they could ill afford to pay the advance, they could still less afford to bear the loss of stopping their business, breaking their contracts, or letting their machinery lie idle. These are two of the aspects in which we may regard the labor question. Each is important, and to treat the whole question intelligently we must consider each part by itself. Much of the misun-

derstanding and confusion of thought which has beclouded this subject is due to the fact that in our disputes we do not keep firmly to one point of view, and thoroughly exhaust that before we pass to the others. The confusion is just as great as would be that achieved by an artist, who in making his sketches for a great picture is continually changing his standing ground; so that his work when finished is ludicrously wanting in perspective, in proportion, in truth to nature, and in most of those qualities which go to make up a good work of art.

Returning to the labor question, there are many other aspects in which we may regard it besides the two just mentioned. There is, for instance, the national view of it. The masters and the men bear certain relations, not only to each other, but to the nation and to its industrial organization. They are not isolated and cut off from the community, they are battalions in the great army of producers whose progress is the growth of the country. Hence, we may argue of different nations that in a given space of time they have made more or less advance or useful effort in the solution of the labor question; and to prove the truth of what we say, we may compare the facts of the economic life of the nations in question. We may explore and tabulate the statistical evidence. We may inquire whether wages and work are equitably adjusted to each other, and are acknowledged to be so both by masters and men; next we may ask whether in the productive economy of the nation the wages-fund consumes its fair share of the gross product,—neither trespassing on the one side upon the claims of capital, nor on the other upon the rightful profits of the men who take the risks and possess the skill to organize labor and to employ it; or, lastly, we may take a still broader survey of the field, and, taking the whole country through, we may examine how its labor and capital are organized, and how the results in one country compare with those of another. Following out this idea, M. Chevalier, since his recent visit to England, has told his friends in Paris, on a public occasion, that Great Britain has made better progress in settling the labor question than has been made by France. What he thinks of the progress of the United States in this respect we are not informed, nor do we know on what precise arguments his inference as to the labor question in England and France was based. A thorough discussion of the whole question by this distinguished economist would be interesting and valuable. From what has occurred, it is not improbable that one of M. Chevalier's courses of lectures, at the College of France, may be devoted to the labor question, both in the aspects suggested above and in some others equally interesting.

Next in importance to such theoretical discussions, if not more important, are the efforts which are making to throw light on the relative condition of the operative classes, in various countries, by the collation of statistical facts. This task has been undertaken by a number of accomplished men, in the front rank of whom is Mr. Thomas Brassey. The importance and value of Mr. Brassey's



researches are illustrated by the frequent instances in which Prof. Cairnes, and other recent economists, have gone to his works, as to a store-house replete with treasures of statistical value. The subjoined extracts, from Mr. Brassey's book, "Work and Wages," offer suggestive illustrations of the various aspects of the labor question. We quote from the chapter on the "Relative Cost of Labor" in various countries:

"It is not usually found that in the best situated countries, or those of which the climate is the finest and the soil the most productive, the peasantry are the best off. In those their necessities are few and easily supplied, and when these are satisfied, they seem to care for nothing more. Humboldt tells us that it had been proposed to prohibit the culture of the banana in Mexico, as being the only means calculated to rouse the torpid qualities of the natives and make them in some degree industrious.

"As we recede from the more civilized countries of Europe the standard of comfort is reduced, and the laborer is content to receive lower wages; although in most cases the amount of work performed is diminished in corresponding proportions. High wages and short hours of work may not be found incompatible with a diminished cost of production; and low wages and long hours may sometimes prove less advantageous to the employer than shorter hours of labor and a higher rate of wages. This apparent anomaly is partly explained by the necessity of giving to the laborer, who has to undertake severe manual exertion, the means of procuring a generous diet. In Belgium the workmen are not so expensive in their habits as the English artificer. They consume less meat; their bread is seldom purely wheaten; and they work for lower wages; but, on the other hand, it cannot be expected that, under these conditions, they can have the same physical vigor as the English laborers, who are better fed. Mr. Hewitt, speaking on this subject, remarked that at Sireuil the rate of wages of the common laborer will only admit of his having meat once a week; and yet the manufacturers were not making money. He also stated that there was a deplorable look of hopelessness among the lower class of workmen at Creuzot, though this was not discernible among the better-paid men.

"Mr. Lothian Bell, in an address read at a meeting of iron masters in the North of England, gave the result of his investigations as to the cost of smelting pig iron in France, which distinctly proved that more men were required to do the same quantity of work in France than in England. He stated that, by a very careful inquiry at a large establishment in France, he had ascertained that forty-two men were there employed to carry out the same amount of work which twenty-five men were able to do at the Clarence factories on the Tees. In spite of the actual labor on a ton of pig iron for smelting being twenty per cent. cheaper in France than in England, the entire smelting charges were sensibly greater in France than in the general run of work at Middlesbrough. And, taking into account the saving in respect

of fuel, the cost of producing pig iron in France was twenty shillings, in some cases even thirty shillings, per ton more than that exhibited by the cost-sheets of the manufacturers at Cleveland. The average cost of raising coal at the pit's mouth in France is said by Mr. Lothian Bell to be from 5s. 6d. to 6s. a ton, and the average price of coal 11s. per ton; the price for small coal used by the iron masters being 8s. 6d. as compared with 5s., the price paid by the Cleveland smelters.

"Belgium raises 11,000,000 tons of coal annually, and exports 4,000,000 to France. The average cost of coal at the pit's mouth is from 5s. 6d. to 7s. a ton. The price varied in 1867 from 9s. 6d. to 10s. 6d. a ton. It is clear from these figures that neither in France nor in Belgium is the cost of extracting the coal reduced by the low price of labor. In the manufacture of iron, the opinion of Mr. Bell is confirmed by Mr. Hewett, an American iron master, who told the Trades Unions Commissioners that the price of iron was £1 sterling per ton higher at Creuzot than in England, and by M. Michel Chevalier, who, in his introductions to the Reports of the Jurors of the French Exhibition in 1867, said that rails were from twenty-five to thirty francs dearer per ton in France than in England. A similar difference was shown in the rails purchased for the Mont Cenis Railway, the price of which at the works in France was from £7 12s. to £8 per ton; while the price in England was £7 per ton. The duty of £2 8s. per ton which is still payable on rails imported into France is a proof of the conscious inability of the French iron masters to compete with our manufacturers in an open market.

"In Germany, as in France, though the nominal rates of wages are still lower, the actual cost of the work is greater than it is in England. Mr. Lothian Bell observed that, whereas labor in Westphalia cost from twenty to twenty-five per cent. less than with us, the labor-saving arrangements were much neglected; and a ton of iron smelted in the Ruhrort district could not be produced for less than 15s. a ton above the cost upon the Tees. Mr. Wells has discussed in minute detail this most important question of the comparative cost of labor in the principal manufacturing countries. Taking the puddling of iron as the representative process of the iron trade, he says that he found that the average price of labor per day for puddlers was from 7s. 6d. to 7s. 10d. in Staffordshire; 6s. 4d. in France; and from 4s. 9d. to 5s. in Belgium; yet the average price of merchant bar-iron was £6 10s. in England, £7 in Belgium, and £8 in France.

"In a recent report on the condition of the textile industries in England, Mr. Redgrave, one of the Inspectors of Factories, says that, while the foreigner is under the same conditions, as to the raw material, as the English manufacturer, and his fuel is more expensive, his work-people do not work with the same vigor and steadiness as Englishmen. Consequently, the same number of operatives, employed upon the same machinery, do not produce the same quantity of yarn as in this country. 'All the evidence

that has come before me,' he says, 'has gone to prove that there is a great preponderance in favor of this country. Comparing the work of a British with a foreign spinner, the average number of persons employed to spindles is—in France, one person to fourteen spindles; in Russia, one to twenty-eight spindles; in Prussia, one to thirty-seven; in Great Britain, one to seventy-four. But I could find many cotton-spinning factories in my district, in which mules containing 2,200 spindles are managed by one minder and two assistants. I have recently been told,' he continues, 'by one who had been an English manager in a factory at Oldenburgh, that though the hours of work were from 5.30 A. M. to 8 P. M. every day, only about the same weight of work was turned off under English overlookers as would be produced in a working day from 6 A. M. to 6 P. M. in this country. Under German overlookers the produce was much less. The wages were fifty per cent. less in many cases than in England; but the number of hands, in proportion to machinery, was much larger. In some departments it was in the proportion of five to three. In Russia the inefficiency of the labor of the foreign, as compared with the labor of the English operatives, is even more strikingly manifested, for on a comparison of the wages, supposing the Russian operatives to work only sixty hours a week as they do in England, instead of seventy-five as they do in Russia, their wages would not be one-fourth the amount earned in England. But the wage must be taken into account with the power of the operative as a producer; and herein will be found an advantage of the English operative over the foreign competitor, sufficient, with some qualification, to counterbalance the mere cheapness of wage.'

"Mr. Wells, in the report to which I have already referred, confirms the view expressed by Mr. Redgrave. He says that, 'whereas female labor in the cotton manufacture is paid at from 12s. to 15s. a week in Great Britain; at from 7s. 3d. to 9s. 7d. in France, Belgium, and Germany; at from 2s. 4d. to 2s. 11d. in Russia, the one thing which is most dreaded by the Continental manufacturers everywhere is British competition. The demand for protection is loudest in France, Austria, and Russia, where the average wages reach their minimum.'

"Mr. Mill, in his *Political Economy*, quotes a statement made by Professor Jones, in which he said that the Russians, or rather those German writers who have observed the manners and habits of Russia, supply some remarkable facts: 'Two Middlesex mowers,' they say, 'will mow in a day as much grass as six Russian serfs, and in spite of the dearth of provisions in England and their cheapness in Russia, the mowing of a quantity of hay, which would cost the English farmer half a copeck, will cost the Russian proprietor three or four copecks.' The Prussian Councillor of State, Jacobi, is considered to have proved that in Russia, where everything is cheap, the labor of the serf is doubly as expensive as that of the laborer in England. In Austria the labor of a serf is one-third of that of a free hired laborer.

"The miserable pay of the women employed in the manufactories of Russia suggests some observations as to the evils which necessarily arise from subjecting the female population to excessive manual labor. In all the less civilized countries of Europe the women are compelled to share in the manual labors of the men. This practice is in a large degree the cause of that very poverty which it is intended to alleviate. The introduction of so many additional hands into the labor market has a marked effect in diminishing the reward of labor. On the Lemberg and Czernowitz line, in some places, half the people employed were women. They earned 1.60 franc a day, and the men from 2 to 3 francs a day.

"On the Bukovina line the wages of the men for picking were 1s. 6d. per day, while the women, who worked only with the shovel, earned about 6d. a day less than the men. The cost of living for a man and his wife and three children in Hungary may be stated approximately at 1s. a day. In those countries the cost of unskilled labor is small, but the struggle for life is so severe that every child, the moment it can add the smallest fraction to the earnings of the family, is sent into the fields. The sacrifice of these earnings, however scanty, for a few years, for the purpose of acquiring a knowledge of a skilled trade, is impossible with a peasantry so destitute; and the cost of skilled labor is thus disproportionately high, because so few persons possess the means of passing through a period of unpaid apprenticeship.

"An apprehension of the military power of Russia, which a certain school of politicians are too ready to entertain, might, perhaps, be changed to pity if they knew the condition of the Russian peasantry, as described by Mr. Michell, and their inability to bear the strain of a long protracted war. Even in peace they are engaged throughout their lives in an exhausting struggle for bare existence. From abject poverty the women are compelled to share unceasingly in the out-door labors of the men. The infant mortality in Russia is appalling. The peasant women of Russia give birth to their offspring under circumstances equally perilous to the life of the mother and the child. Their confinement takes place in a barn or a stable. They have no medical attendance, and in three days at the utmost they are once more employed in hard field labor. The result of such privation and suffering is that a large proportion of infants die within a week after their birth. The number of males living at the age of five years, in proportion to the total number of the population, is  $20\frac{3}{4}$  per cent. less in Russia than in Great Britain, France and Belgium. The shortness of the average duration of life in Russia is equally lamentable. In the North-West Provinces the average limit of life is between twenty-two and twenty-seven. In the Volga basin and South-Eastern Provinces it is twenty years. In Viatka, Perm and Orenburg, it is only fifteen years.

"In Great Britain the number of men and women alive between fifty and sixty, out of 1,000, averages 548; in Belgium 518; in Russia only 265. Hence it may be inferred what difficulty there

would be in recruiting an army in the case of a long-continued war. The spectacle of a vast population exposed to such privation, must awaken the sympathy of every friend of humanity. There is more reason to pity the hard lot of the Russian people than to fear their military resources. What a cruel mockery it would seem to the millions of Russian peasants, whose lot in life is so depressed compared with that of the very humblest of our laborers, if by chance it reached their ears that there were statesmen in England who believed that the most imminent danger of their own more favored land was the growing power of the Russian Empire!

"In Russia the day laborer's wages range from *8d.* to *1s. 4d.* with food, the cost of which is from *2d.* to *3d.* a day. The average pay of the female laborer is  $6\frac{1}{2}d.$  a day, with the addition of food. During harvest the male laborer can command from *1s. 4d.* to *2s. 8d.* a day with food; the female laborer from  $9\frac{1}{2}d.$  to *2s. 8d.* a day with food. What is the result of this low-priced labor, as compared with other European countries in which much higher wages are given? The yield of crops in Russia is said by Mr. Michell to be less than half the yield obtained in England or Saxony; and smaller than in any other country in Europe. The impossibility of determining the actual cost of labor by the nominal rate of wages is as fully demonstrated by the experience of the ship-owner as by that of the manufacturer. The wages of shipwrights and the pay of seamen are much more moderate in France than with us. Yet the cost of building ships is ten per cent. greater in France than in England; and the wages of a French crew, in consequence of their greater number, involve an expenditure for manning twenty-five per cent greater than the corresponding expense in an English ship. If, on the other hand, we compare the cost of manning an American ship, with the cost of manning an English ship, we shall see how our comparatively cheaper labor makes us more prodigal in the use of it. The average proportion of seamen in an English ship is one man to every fifteen tons; in an American ship it is one man to every twenty-five tons."

Mr. Brassey's facts have a direct bearing on some of the questions between wages and capital, because they show the money cost of labor or the price of work. It will be seen that a large portion of those facts relate to the wages of laborers in Great Britain in free competition with each other; and so far they give a useful illustration of the tendency of competition to adjust payment to efficiency, so as to render the price of a given piece of work pretty nearly the same whether it is performed by labor of superior, or of only moderate and ordinary skill. But where Mr. Brassey takes a broader scope, and treats of the relative rates of wages in different countries and in labor markets not in free competition with each other, his solutions of the question in hand are of a different kind. What they amount to would seem to be this: in the comparison of different countries, a very low rate of remuneration for labor is generally found to be accompanied with a very low degree of in-

dustrial efficiency, while, as the condition of the laborer improves, his efficiency up to a certain point is found to increase in nearly the same degree. It does not appear that the correspondence between remuneration and efficiency holds good beyond the range of those employments which call for mere physical energy and endurance, such as railway work performed by unskilled labor; nor is it found to be universally true even within these limits. When we pass from the ranks of unskilled to those of skilled labor, and when in the latter we confine our attention to those cases in which the remuneration has risen above the point at which it still contributes to mere physical energy, we find no evidence in the facts adduced by Mr. Brassey, of the existence of a uniform cost of labor in different countries.

On the contrary, a large part of the facts recorded by him go to establish the opposite position; since the constant inference deduced from his reasonings is the heavy disadvantage which England undergoes from her dear labor in comparison with the cheap labor of the Continent—a disadvantage so great as only, according to Mr. Brassey, to be just compensated by her superior resources in machinery, raw material and coal. Applying these principles to our own country, it follows most clearly that, by parity of reasoning, that portion of American work which is performed by human labor is more highly paid for than in England, and there it is dearer than in other foreign countries. In truth, we have only to consider the habits of the great majority of our artisan population to perceive how very slight the connection can be, in the nature of things, between efficient labor in those classes and their rate of remuneration. An increase of wages which merely results in an enlarged consumption of tobacco and whisky is not likely to add much either to the physical powers or to the intelligence and skill of the recipients; and notoriously this is the way in which an increase of wages is, by too many of our foreign work-people, consumed in this country. We have no desire to dispute the existence of a real connection between good pay and efficient work; only let us note well the nature of the connection.

It exists so far as the larger wages are applied to sustain the industrial efficiency, physical or mental, of the workman, and to enable him to produce more. At present it would seem that this is very generally the case, while wages are no more than sufficient to supply the primary necessities of life. But where they exceed this limit, the increased wages are quite as often employed to impair as to improve industrial qualities, and the connection between remuneration and efficiency is at an end, or at most is but a matter of accident. Of course under our popular Government we look forward to the time when, by the educational influence of free institutions, laborers in the country and artisans in our cities shall learn to use their increasing resources to help their intellectual and moral progress, when improved morality shall keep even step with a larger command of material well-being. We shall thus have advanced one stage nearer in our journey toward that

uniform cost of labor of which Mr. Brassey speaks, but to which, outside of the lower grades of labor, the approach the world at present has made is not very near. But the progress we are making might be expected to be more rapid, if the workmen would only arouse and take a truer view of their real interests. At some future day their Unions may become of great value in this point of view. At present the workmen's Unions in this country are devoting their great powers to very subordinate and minor questions. Nor is it far otherwise in Europe. In Germany, however, there are indications of improvement which are very gratifying.

At the end of March the general assembly of the German Trades' Unions took place at Leipzig. These unions are far from playing the important part assigned them here and in England; they have, however, attracted a noticeable number of members for the short time of their existence. At the end of 1874 Germany had 14 trades' unions, or *Gewerkvereine*, consisting of 345 local unions, with 22,000 members. Besides that, 12 independent unions are still in existence. The trades' unions have the right to elect one delegate for every 500 members for the general assemblies. The income for the hospital and burial banks amounted to 195,000 marks for the year 1874, whilst the expenditure amounted to 135,000 marks for the sick, and 12,000 marks for the burial of the dead. Besides, the union has a capital for invalids amounting to 140,000 marks, with which it at present keeps 22 invalids. The trades' union further has the function of giving legal assistance where it is necessary, of improving education, and establishing arbitrating courts of justice for the accommodation of disputes, and aiding the establishment of independent businesses. Already 31 co-operative manufacturing societies owe their establishment to the trades' unions. The chief thing in which they failed was in laying the foundation of a fund for widows. The principal subject discussed in the General Assembly in Leipzig was the amendment proposed to the Imperial Trades Act. The old corporations and guilds, which date from the Middle Ages, have been done away with for more than ten years in Germany, but the new Trades Act still allows free guilds for the masters. The trades' unions would have the new Act amended in a way which would allow the dependent workmen and industrials to enter these guilds.

Throughout Germany there has been and still is an agitation among the workingmen, and the trouble has been so much enhanced since the payment of the French indemnity, and the financial and industrial trouble thus precipitated on the country, that the German Federal Council has decided upon having an "Enquête" made, affecting the condition of industrial and manufactory work-people. For this purpose both masters and workmen will be examined as witnesses, and not only by a central committee, but on the spot of their field of action. The conditions of every branch of industry will be looked into, and, above all, the condition of apprentices, laborers, journeymen and helps.

## BANKING IN THE OLDEN TIME.

*[From the London Standard.]*

"Temple Bar, or Some account of ye Marygold," was the subject of a paper read at the last meeting of the London and Middlesex Archæological Society, by Mr. F. G. H. Price, F. G. S., of the firm of Messrs. Child & Co., the well-known bankers. To illustrate the lecture, the walls of the library in which it was delivered were hung with a number of old prints—some colored, and many after the style of Hogarth, giving views of various places in the vicinity of Temple Bar, and of the scenes that used to be enacted thereabout in the reign of James I., the Charleses, Queen Anne and the Georges. Old Temple Bar was shown in the time of the first-named monarch, and is a proof that it is possible to construct a more unsightly building than the present gate which separates the Strand from the city. These prints and drawings, kindly lent for the occasion by Mr. John E. Gardner, are in themselves a veritable history of Temple Bar during its various stages, from the time of its erection down to its present period of decrepitude and decay. Some of the scenes enacted around that extraordinary structure must have been exciting to a degree happily unknown in our time. In one plate we see the limbs and heads of traitors nailed to its walls; and in another a mock procession of cardinals and priests following the Pope in effigy, who will presently be burned by the vast concourse in attendance. Temple Bar, although it is neither hallowed by remote antiquity, nor to be admired for the beauty of its architecture, has still bound up with it many associations which will make it live long in the memory of men. Mr. Gardner's prints furnish a pleasant and instructive study of the numerous varieties of domestic architecture during the last two centuries, and of the changes which the streets of London have undergone during the like period. In addition to the pictures on the walls, the tables were strewn with books and documents rich in historical value, taken from the archives of Messrs. Child's Bank, and meant further to illustrate the subject of the paper about to be read. There was a curious old ledger containing the record of business transacted by the Bank in the year 1678, with designs for jewels, brooches, chains, etc.,—for in these times bankers were jewelers as well. There were old checks bearing the names of persons of distinction, whose grandchildren were dead and gone a century ago. There was the original of the bill sent by the Queen's jeweler to Her Majesty Queen Elizabeth for jewelry, and at the foot the order for payment signed by the lord treasurer. There were various interesting autographs, amongst others that of Mistress Ellen Gwyn—the name in



full written by some one else, but between the Christian and surname the initials "E. G.", formed by the fair hand of the lady herself, and having beneath them written the words, "her mark." There was also, in bold characters, the autograph of that notorious person known in history as Titus Oates, and of those of Bishop Burnett, George Evelyn, etc.

There was shown, too, a manuscript check drawn by the beautiful Barbara, Duchess of Cleveland, the spelling of which would in all probability shock a School Board visitor of the present day. It runs as follows: "April 12, 1689, Mr. Rogers, pray paye fifty ginnyes to the barer and place it to my account.—CLEAVELAND." In fact a couple of days might be very profitably and pleasantly spent in examining those interesting documents which have been buried in the archives of Messrs. Child's Bank for so many years, and which the sudden subsidence of Temple Bar has been the means of bringing at length to light.

Mr. Price's paper was rather a narrative of the great banking-house of Childs than a history of Temple Bar, but it was scarcely the less interesting on that account; and, though of unusual length, was listened to with great interest and attention. It was just such a paper as would have deeply interested the author of the "Fortunes of Nigel," or the historian of "Esmond," so full was it of references to historical, political and literary personages, and the names of quaint old hostels and coffee-houses frequented by such men as Addison, Fielding and Steele of one age, or Johnson and Goldsmith and Boswell of another. The author of the paper very properly observes, in opening, that the history of the banking-house of Messrs. Child & Co. was interesting on account of its being universally acknowledged to be the first banking-house in succession to the goldsmith's trade, from which it had sprung, and from the business having been carried on in the same premises from those early times. The sign of the Bank was originally the "Marygold," which might still be seen in the water-mark of the present checks. It used to be difficult to say when the Bank was established, but it was known that they had the cash accounts of Oliver Cromwell, of Nell Gwyn, of King William III., and Queen Mary. The archives, which have revealed many interesting documents and facts, would in all probability never have seen the light had it not been for the misfortune which befel Temple Bar last midsummer, when it was discovered that the keystone of the arch had dropped, and that the structure was out of the perpendicular. The causes which produced this state of things were well ventilated in the newspapers at the time, and are familiar to most persons. Messrs. Child, who were the tenants of the rooms over the gateway, rented of the Chamber of London for £20 per annum, at once commenced to move all their old ledgers and other books, amounting to many tons weight, in order to relieve the arch from an extra burden, and thus access was obtained to documents now before the meeting. Mr. Price gave a brief history of the present Temple Bar, which was erected in 1670, from designs by Sir

Christopher Wren. Originally only posts, rails, and a chain marked the boundary of the city westward, the same as at Holborn, Smithfield and Whitechapel Bars in other directions. Afterward a house of timber was erected across the street, with a narrow gateway and an entry on the south side. This structure being considered dangerous, having already stood some hundred years, was pulled down after the great fire of London, and it must have been about this time that Messrs. Blanchard & Child built a new front to their house. Thus, then, it will be seen that the Bank and the Bar have ever since been inseparably associated.

In olden times it was customary for tradesmen to adopt signs which they displayed on the fronts of their houses, and a house known by any such sign retained the name under a succession of occupants, without regard to the avocation or trade of the new comer. So it was that the sign of the Bank was the "Marygold." After 1764, however, signs abutting into the street were no longer tolerated, but were in some cases affixed to the walls of the houses, but finally were altogether abolished. It is said that Wood street and Whitecross street were among the last from which signs were taken down; and these signs existed as late as the year 1773. Many of the customers of the Bank used to address their checks to "Mr. Alderman Child & Partner, goldsmiths, at ye sign of ye Marygold, next dore to Temple Barr," or "next dore to ye Devill Taverne, in Fleet streete;" and one check had been found addressed to Mr. Francis Child, "a goole smyth att Temple Barr, in London." The sign of the Marygold, in Fleet street, next Temple Bar, appears to have originated in the sign of a tavern; at any rate, it was first mentioned with reference to a tavern, as may be gathered from the following paragraph, extracted from Beaufoy's "Tokens":

"The Banking-house of Messrs. Child was, in King James I.'s reign, a public ordinary, the sign being the Marygold. As an ordinary it appears to have borne a riotous character, and at the wardmote held on St. Thomas's Day, December 21, 1619, Richard Crompton, keeping an ordinary at the Marygold in Fleet street, was presented for disturbing the quiet of John Clarke, being next neighbors, late in the nights, from time to time, by ill disorder."

Having given a description of the manner in which the Marygold came into the hands of the bankers, Mr. Price stated that the kitchen of the present Bank put one greatly in mind of the dining-room at Dick's coffee-house, and closely resembled the interior of the Rainbow Tavern.

Mr. Price, after descanting upon the merits of the Devil Tavern, quoted an interesting note from Peter Cunningham, which says: "In the time of Ben Jonson, who has given a lasting reputation to the house, the landlord's name was Simon Wadloe, the original of 'Old Sir Simon the King,' the favorite air of Squire Western in 'Tom Jones.' Here Jonson lorded it with greater authority than Dryden did afterward at Wills's, or Addison at Button's. The banking-house of Messrs. Child still preserves the rules of

the club drawn up in the pure and elegant Latin of 'rare Ben Jonson,' which were engraved in letters of gold." Mr. Price then pointed out one of some inaccuracies which he asserts exist in Mr. Walter Thornbury's book, "Old and New London." The lecturer then proceeded to furnish a succinct narrative of the rise and progress of the banking-house of Child & Co., in the course of which he recounted many anecdotes and events, only a few of which we can afford space even to touch upon. He told how the "Honorable Madame Gwinn" died in debt to the firm in 1687; how her executors agreed to the debt, and to pay the moderate rate of interest of 5 per cent.—especially moderate then, when money was 6 per cent.—and how the document making this arrangement was signed by no less notable persons than my Lords Rochester, Sidney and Pembroke, as well as by Sir Robert Sawyer. He further told his hearers how it was recorded that when, in the year 1689, the stability of the Bank became precarious in consequence of a rumor that a run was about to be made upon it, the famous Sarah, Duchess of Marlborough (then Lady Churchill), at once set to work and collected among her friends as much gold as she could, which she took down to the Bank in her coach on the very morning of the threatened "run," and how, as a sequence, Hogarth made a spirited sketch of her ladyship's coach stopping at Temple Bar, and another sketch of her entry into the Bank followed by porters carrying bags of gold. These and many other amusing anecdotes make up a large portion of the paper, and then the author gave a long detailed family history, or series of histories, of the principals of the house, from its establishment down to the present date. This portion of the paper would no doubt prove more interesting to the immediate descendants of those families than to the general public. Amongst the curious documents recited by Mr. Price is a very characteristic bond for the payment of certain moneys due by Charles II., bearing the autograph of the Merrie Monarch, and countersigned by the Earl of Danby. The following sentiment which is embodied in the document referred to must have caused Old Rowley much merriment when it was read over to His Majesty:

"And although the present posture of our affairs cannot reasonably spare so greate a sum as must be applyed to the satisfaction of those debts, yet considering the great difficultys which very many of our loving subjects [who putt their moneys into the hands of those goldsmiths and others from whom we received it] doe at present lye under almost to their utter ruine for want of their said moneys, we have rather chose out of our princely care and compassion towards our people to suffer in our owne affaires then that our loving subjects should want soe reasonable a relief, and having seriously considered of the way and means to effect this our present purpose, we could not find any more effectuall and less prejudicially to us in the present posture of our revenues, than by granting to each of them the said goldsmiths and others to whom we are indebted, an annual sum," &c.

After giving a list of the most eminent persons who had traded with the firm since the foundation of the Bank, the paper wound up with the names of the principals of the firm during the last half-century.

## M. LÉON SAY ON SPECIE PAYMENTS AND REFUNDING OF THE FRENCH DEBT.

For two reasons, the financial movements of the French Government are watched with considerable interest in this country. First, because France, like the United States, is about to fund a part of her debt at a lower rate of interest; and, secondly, because she has been expected to resume specie payments at an early period. The report of the Minister of Finance, M. Léon Say, on the French budget throws considerable light on these questions, which have lately been the subject of so much speculation. M. Léon Say proposes to reimburse the six per cent. Morgan loan by borrowing from the *Caisse des Dépôts et Consignations* 14,541,780 francs (\$2,904,356) of three per cent. rentes belonging to the savings banks, in return for which the *Caisse des Dépôts* would receive the annuity of 17,500,000 francs (\$3,500,000), now applied to the interests and redemption of the same debt. Instead of the annuities ceasing at thirty-one years, as at present arranged, they would be prolonged to thirty-nine years, the difference between the 14½ million francs of rentes and the annuity of 17½ millions, with the extension of eight years, permitting the *Caisse des Dépôts* to reconstitute the capital alienated. The capital represented by the 14½ million francs of three per cent. rente is, however, more than required for paying off the Morgan loan, and a balance of about 55 millions will remain over. For example, six francs of rente of that loan will represent, on the 1st of October next, a capital of 100 francs, while six francs of three per cent. rente at 64 francs have a value of 128 francs, a difference of 140 francs per bond of 500 francs of the existing six per cent. loan. That difference would have to be paid by the present holders of the six per cent. stock to receive three per cents. instead. Should they prefer simply to be paid off at par, an equivalent sum of three per cent. rente would have to be sold on the market; or, should the moment not be favorable for the operation, the reimbursement would be effected by means of the resources of the floating debt.

A saving would also be effected of an annual sum of 353,000 francs, at present required for exchange, commission, and other accessory expenses of the Morgan loan, representing a present capital value of 5 millions. The net results of this operation will be the following:—On the one hand the Treasury will gain that sum of 5 millions and about 55 millions to be paid by the present holders of the Morgan loan to receive three per cents. instead of six per cent., together 60 millions; on the other hand, the prolongation of the annuities from 31 years to 39 represents a

present annual value of 24 millions, which, deducted from the 60 millions gained, leaves a net balance of 36 millions. Such is the economy of the scheme of M. Léon, says the *Debats*. In more simple language, it means that the Minister will obtain an immediate sum of 60 millions to help him to balance the budget of 1876, and that at the end of thirty-one years the country will be burdened with eight additional annuities of  $17\frac{1}{2}$  million francs, for it does not appear that any sum of 24 millions is to be set apart and allowed to accumulate so as to provide for the eight annuities. The great aim the Minister appears to have had in view is to avoid the necessity for a new loan, or at least to defer it as long as possible, and to obtain the use of the balance of 60 millions. Those considerations have probably caused him to reject the more simple plan of creating five per cent. rente for the sum required, and which might at some future time have been converted into four and a-half or four per cents., if circumstances permitted. The second part of his plan consists of a modification of the treaty between the Government and the Bank of France. The French Treasury, as we stated some time ago, borrowed from the Bank for war purposes some \$294,000,000, and agreed to pay off this debt at the rate of \$40,000,000 a year. As this sum could not be spared in the budget of 1874, the Government borrowed from the Bank \$16,000,000, payable in 1875 and 1876 in two installments. By this means the letter of the compact was kept, and the nominal amount of the reimbursement was not changed, although the Government actually paid much less. As we indicated in announcing this arrangement last September (see page 194 of Volume IX.), a new convention has since been signed with the Bank, substituting for the former arrangement a payment of \$25,000,000 in 1876, of \$68,000,000 in 1877, and of \$30,000,000 in each of the years 1878 and 1879. It is one of the provisions in the new convention with the Bank of France that specie payments shall be resumed from the 1st of January, 1878, when the debt to the Bank shall have been reduced to \$60,000,000.

This brings us to the last and most important of the two points which he indicated above. Specie payments were confidently expected to be resumed this year in France. Mr. McCulloch, in his recent letters to the *New York Tribune*, on French finance, hinted at this expectation, and proposed to us the example of France in this and other respects as worthy of our consideration. It now appears that the actual resumption is to be postponed till 1878, one year prior to the date fixed by the law of January 14, 1875, for the resumption of specie payment by the United States. As the paper currency of France is at par with coin, and has long been so, many persons have been surprised that France does not resume at once. They make light of the difficulties which to M. Léon Say and his colleagues seem so formidable. Even the London *Economist* joins the ranks of the malcontents, and gives utterance to their complaints as follows:

"M. Léon Say announces that the return to specie payments in France is to be postponed for two years—that is, to the first of January, 1878. And for this he gives two reasons, as we understand, neither of which seems to us satisfactory.

"First, he appeals to precedent, and says that America now, and England in 1819, announced their intention long beforehand, and gradually prepared for its performance. Why should not France, therefore, he asks, adopt a course which certainly succeeded in England, and which probably will succeed in America? But the reply is, that both in America and in England the circumstances were different. In both countries there was at the time of the adoption of the resolution to return to specie payment an important premium on gold. In America it was nearly 12 per cent.; in England about  $4\frac{1}{2}$  per cent. In consequence, an immediate return to specie payments was impossible. Those countries did not then voluntarily postpone the step, of which they announced the determination. They were obliged to postpone it. But in France, on the contrary, the postponement is voluntary; there is not the slightest premium on gold in Paris, as compared with paper, and it is long since there has been any. The stores of gold and silver in the Bank of France are the greatest which the world has ever seen in any similar position, and the greatest which it has ever had. There is not, therefore, any reason in France for imitating the policy of States which were unprepared to resume specie payments. As far as can be judged, France is as well prepared for that step as she is likely to be, and almost as she can be.

"The second argument is more peculiar. M. Léon Say says that the loan of £58,800,000 received from the Bank of France during the Franco-German war is as yet unpaid, and that, therefore, the return to specie payments must be postponed until it is so. At first sight there seems no connection between the two operations; but what M. Léon Say means is, as we understand, this. During the war the French Government borrowed from the Bank of France the large sum which has been stated at *one* per cent., and at the same time allowed the Bank of France to increase its issue of notes and not to pay them in specie. The Bank derived large profits from that increased issue, and the Government had a share in it, because it obtained a loan at the very low rate of 1 per cent. But if specie payments are resumed, possibly the note circulation of the Bank of France might fall; the issue consequent on the suspension would cease, and the level of the circulation might approach to that current before the war. The equivalent for which the Bank lent its money at a low rate being thus withdrawn, that money, it is argued, ought in fairness to be repaid. And certainly *either* the money ought to be repaid, *or* the rate of interest adjusted. But as far as we can judge, it would be better to adjust the rate than pay the money. The evils which an inconvertible currency inflicts on a country—the

uncertainty which it introduces into all dealings between man and man; the impossibility of long credit; the exclusion from exchange business, to which any kind of uncertainty in the currency is fatal—are so great that the obtaining a limited sum of money at a cheap rate for a short time is not to be weighed, for an instant, in comparison with them; the good so obtained is not to be thought of as a compensation for the loss incurred. Especially in France, where industry is subjected to so many burdens, and where it requires every aid, there is no worse finance than to save a small sum in taxation at the cost of making commerce uncertain, and of enfeebling the productive power of the country.

“We cannot but hope, therefore, that in the interval of more than two years that are to run between this and the 1st of January, 1878, these arguments may be reconsidered, and that it may be decided that France should at once resume the specie payments which will so much aid its industry, and for which it has made such large and costly preparations.”

The *Economist* fails to recognize the fact that the statesmen who are conducting the financial affairs of France have earned the right to be implicitly trusted in a matter on which they are so much better informed than any foreigner can pretend to be. The future will, no doubt, show that they have done well in choosing a policy of caution and delay. Many persons in this country go farther than the *Economist*, and contend that specie payments are virtually resumed in France because paper currency is at par with gold. It may be useful for these theorists to review and correct their opinions. By a careful study of French finance, and of its course during the last five years, they will learn that insuperable obstacles may prevent and postpone the resumption of specie payments even where the legal-tender paper has been par for several years, and where a large reserve of coin has been stored up to facilitate resumption.

Among the multitude of reasons which have probably influenced the counsels of M. Léon Say on this important question, an important place was no doubt claimed by the eager desire of Germany to obtain gold. Its new coinage arrangements are not going on well. Gold is flowing from Germany, and from other countries, into France. Now, this gold passes into the Bank of France, where it is locked up, and cannot be forced out for exportation so long as specie payments are suspended by law. Repeal this law, and the situation changes. The Bank of France will be forced to pay out its coin to every one that asks for it. The recent Philippin panic, and the adroit financial manipulation of the war scare, suggest to us the profitable use that certain financial magnates are ready to make of any contingency, such as would be afforded by the resumption of specie payments at the present moment in France.

## THE BANKING ELEMENT OF LIFE INSURANCE.

*To the Editor of the Banker's Magazine :*

With unimportant exceptions, Life Insurance, in this country and in Europe, has been invariably purchased by uniform annual premiums to continue through life, or for a stated number of years. By the necessity of the case, uniform premiums in Life Insurance must be greater than are required for the earlier years, in order that they may be sufficient during the later years. Every such uniform premium consists of three parts, essentially separate and distinct, and which should never be confounded. (1) A provision for claims by death during the year. (2) A provision for expenses of management, and for possible adverse contingencies during the same time. (3) The *reserve*, or deposit, which is retained by the Company, and accumulated for the depositor in order to provide for deficiencies in old age, when such uniform premium will be less than the current yearly costs of insurance upon his own life, or for endowments. We thus see that every existing Life Insurance Company is, to a certain extent, also a Savings Bank, or custodian of trust deposits. Now these *reserves*, or deposits, are not common property, but are *private accumulations*, in precisely the same sense that deposits in Savings Banks are private accumulations, and as such they should be treated. No policy-holder has any right, title or interest in the deposit of any other policy-holder. No deposit can properly be used to pay the claim by death of any one except that of the person for whom the deposit was made; nor can such deposits be properly used for expenses of management, or to meet adverse contingencies, ample provision for each having been made in those portions of the premiums specifically charged for these purposes. In brief, the accumulations of a Life Insurance Company are simply the aggregates of payments in advance by individuals for insurances in the distant and uncertain future, or for endowments. The exact share of each person in the total funds of any Company should be clearly ascertainable at any time.

The necessity for separate consideration and treatment of these two functions of insurance and of deposits is clearly apparent, and yet the distinction has been almost entirely ignored or disregarded by every Life Insurance Company, both in this country and in Europe. Life Insurance cannot fulfill its mission until the insurance function is treated upon correct insurance principles, and the deposit function is treated upon those principles which govern the successful management of deposits in Savings Banks and Trust Companies.

In all Life Insurance Companies commissions are improperly paid, and expenses are improperly assessed upon the entire pre-



mium—that is, upon the deposit portion, as well as upon the insurance portion. The average ratio of expenses to total income (including interest on investments) of all the Companies transacting business in Massachusetts, during the eight years, 1866–73, was 16.60 per cent. (See Report Insurance Commissioner, 1874.) This is equivalent to an average expense of about six and a-half per cent. upon the gross assets of these Companies, while during the same period the Savings Banks of Massachusetts were managed at an average expense of *about three-tenths of one per cent.* Now six and one-half per cent. per annum is as much as a prudently managed Savings Bank or Trust Company can expect to earn as interest on investments after deducting expenses and taxes. Hence it will be seen that a sum equal to the interest earnings upon the entire assets, or accumulated deposits, of policy-holders in the Life Insurance Companies doing business in Massachusetts, was absorbed in expenses of management! Not only are the expenses attending the collection and management of savings deposits in our Life Insurance Companies excessive, but the tax, or the penalty imposed upon the policy-holders for the withdrawal of their own money, is unequal, and without justification. This tax has usually been a percentage upon the reserve—the larger the accumulated deposits the greater the penalty imposed upon their withdrawal! This tax is seldom less than fifty per cent. of the reserve, while, in many Companies, the policy-holder can terminate his insurance only by suffering the confiscation of his entire deposits. Under the usual form of contract, a policy-holder, who terminates his insurance, *has no rights which the Company is bound to respect*, since the portion, if any, of his own deposits, returned to him in such case, is simply a matter of grace, and generally is just what the managers choose to give. In the ordinary form of policy contract no ownership, on the part of the policy-holder, in the reserve or deposit is recognized; nor is any legal right to withdraw any portion of it recognized; on the contrary, the failure to pay any one of the stipulated premiums will, by the terms of the contract, work a forfeiture of the insurance, and a confiscation of the deposit portions of all previous payments. Such stringent penalties are unnecessary, and unjust, and would never have been assented to had policy-holders understood their true interests.

How may such defects be remedied?

(1.) *By reform.*—Economy and accountability of management should be insisted upon, as well as a covenant or contract to return in cash the full *equity* (*i. e.*, the total reserve, or accumulated deposit, less the cost of procuring a satisfactory substitute) to any policy-holder who, from choice or necessity, wishes to terminate his insurance.

(2.) *By removing the cause.*—A system of insurance may be adopted which, while safe, secure and *permanent*, shall yet do away with the necessity for large accumulations, or, in other words, which shall eliminate the Savings Bank element.

(3.) The deposits in a Life Insurance Company should be managed with the same economy that is observed in a Savings Bank or Trust Company, and the policy contract should be so amended that each policy-holder shall have the right to terminate his insurance at the end of any policy year, and to withdraw his full *equity* in cash. This equity is the entire reserve, or accumulated deposit, growing out of premiums paid by him, less the cost to the Company of procuring a substitute equally satisfactory, as a contributor to death claims; that is, a new policy-holder equal in all respects as a subject of insurance with the one whose policy is cancelled. The cost of such a substitute will, of course, vary in different Companies, but it is for each the true measure of the tax or penalty which should be imposed in such cases. No injustice can accrue to any other policy-holder, each one having his own similar, and sufficient, deposit, and no harm can result to a properly managed Company.

(4.) There is no necessity for *confining* Life Insurance to the system of uniform annual premiums.

A contract of insurance, to extend over the whole duration of life if desired, may be so adjusted, each year, that *what is left* from the payment of any one year may be applied in part payment of what is *requisite* for the year next ensuing, precisely as in Mutual Fire Insurance Companies, where, in case of a renewal of the policy, the return premium on the old insurance is applied in part payment for the new. In other words, the account may be *balanced* at the end of any year, in a simple, straightforward, business-like manner, so that each year *will take care of itself*, thus avoiding the necessity for large accumulations. The Company, on the one hand, will be compensated for all the work done in the past, and for all the work to be done in the year ensuing, including an ample margin for contingencies—while the individual, on the other hand, will have the option of continued insurance if he wishes it, or of discontinuance if he prefers, without unnecessary loss to himself from previous payments. In this way the cheapness, or small outlay, of insurance for a single year, will be combined with the security and permanence of insurance for the whole duration of life.

A Life Insurance Company **MUST** be compensated each year for the insurance furnished, for expenses of management and for possible adverse contingencies, and should retain from the payments of each policy-holder a sum sufficient to procure a substitute equally satisfactory, in case he should terminate his contract. Beyond this a reserve, or deposit, or provision of any kind is not necessary, and is not always desirable.

Why should a man be compelled, as a condition for obtaining insurance which he needs, to *pile up deposits* for the distant and uncertain future, which he may not desire, which are expensively managed, which are beyond his control, and which are not absolutely necessary? A man seeks an Insurance Company for insurance, not as a depository for savings. If he can use his

money to better advantage in business, or by depositing in a Savings Bank, or if he has not the means to spare for accumulation, why should he be refused *insurance* which he needs, and is willing to pay for as long as he shall continue to need it? Let us furnish Life Insurance pure and simple, for those who wish it, and also *Life Insurance combined with savings* for those who prefer the system of uniform annual premiums, so that any one may have the option by either method.

It may be urged as an objection to this plan that the payments required will increase each year, until in time they may exceed the uniform annual premium at the age of entry. This is unavoidable, and must be true of any system. Life Insurance must be paid for, and the cost increases with the risk assumed, and the risk assumed usually increases with the age of the person whose life is insured. It is a question for each one to decide for himself, whether it is better to *make deposits* in order to provide for excesses, during old age, in the yearly cost of insurance over the uniform premium, *or to pay as he goes*—whether it is better to *pay in advance* for insurance to cover a period of life which he may never reach, or, if he does, for insurance which he may not then need. The payments by the plan herein suggested, will be far less during a series of years than the uniform annual premium—afterwards they will be higher; this excess, however, may be provided for by depositing a portion of the premium saved in a Savings Bank, where, by reason of the smaller expenses, the fund will accumulate more rapidly. In the one case the insurance actually furnished each year is alone paid for—in the other, deposits are required in addition, to pay for insurance in the distant future. In both cases ALL THE INSURANCE FURNISHED MUST BE PAID FOR AT SOME TIME, and at the same yearly costs, *pro rata*, corresponding to the age. No intelligent man can for a moment be made to believe that any Company will assume the risk of his life without an adequate compensation, to be paid by himself. Unless the heavy expense of obtaining and managing deposits in existing Companies is lessened, and unless the right to withdraw these deposits—a man's own money—on fixed and equitable terms, in case of need, be given, one would think the choice between pure insurance without accumulations, and insurance combined with savings, would not be difficult. •

If the expenses attending the care, management and withdrawal of reserves, or savings deposits, in Life Insurance Companies, greatly exceed those attending the care, management and withdrawal of similar deposits in Savings Banks, it is obviously the interest of depositors to choose the latter rather than the former, at least for a portion of their savings, particularly if insurance for the same amounts upon less expensive forms can be secured, as is possible.

If instead of attempting to enact cast-iron rules of non-forfeiture, or surrender values, Legislatures would compel each Company to insert in its new policy contracts the terms and conditions upon

which the holder may, at the end of any year, terminate his insurance and receive his deposits in cash, Life Insurance Companies would deserve, and would at once attain, a much higher, and their proper, place in the estimation of the public.

Life Insurance is destined to absorb a large percentage of the surplus earnings of our whole population. The institution is allied with interests too sacred—its capabilities are too magnificent—for those engaged in its management to permit radical defects to be permanently fastened upon the system.

A Life Insurance Company founded by men of high standing in the community, and conducted upon the consolidated principles of ample security, judicious economy, strict equity, and just accountability, could not only be made a brilliant success, but by its example would work a reformation among existing Companies, to the great advantage of the millions now interested in the institution.

SHEPPARD HOMANS.

WESTERN UNION BUILDING, *New York, June 8, 1875.*

## SPECIAL DEPOSITS.

### NON-LIABILITY OF NATIONAL BANKS FOR THEIR SAFE KEEPING.

#### SUPREME COURT OF VERMONT.

#### *Wiley v. First National Bank of Brattleboro.*

National Banks, created under the Act of Congress, have no power to bind themselves or their corporators, by accepting bonds, coin, or other valuables, upon special deposit, for safe keeping and return on demand, and no recovery can be had against a bank for any such deposit left with its cashier and not returned on request.

This was an action on the case in three counts, with a count in trover, for certain United States bonds.

The plaintiff's evidence tended to show that in January, 1869, at the defendant's banking-house in Brattleboro, he delivered to S. M. Waite who then was, and ever since has been, the cashier of said Bank, \$2,400 worth of United States 5-20 bonds, and the plaintiff offered in evidence, and it was admitted under defendant's objection, a written receipt in the words and figures following, to wit:—

#### "THE FIRST NATIONAL BANK OF BRATTLEBORO.

BRATTLEBORO, Vt., Jan. 8, 1869.

Lucius L. Wiley has deposited in this Bank twenty-	July 1, 1869.
four hundred dollars of 5-20s, 1867, for safe keeping,	Jan. 1, 1870.
special deposit.	July 1, 1870.
	Jan. 1, 1870.

S. M. WAITE, C.

The words "The First National Bank of Brattleboro," were a printed heading to the paper on which said receipt was written.

The plaintiff's evidence tended to show that at the several dates minuted on the margin of said paper, he called at said Bank, and said Waite paid him the interest on said bonds, and entered said memoranda on the margin of the paper; that in August, 1871, he presented said receipt to said Waite at said Bank, and demanded said bonds of him; that said Waite replied that he wished he had them, but they were gone, and did not then nor has he since delivered said bonds to the plaintiff; that some time before said demand was made, said Waite informed him that said bonds had been stolen the June before.

The plaintiff conceded that the defendant was a National Bank, duly organized under the Act of Congress of June, 1864, known as the "National Currency Act," and upon the above evidence rested his case.

The defendant gave no evidence tending to show that said bonds had been in fact stolen, nor did the evidence show, save as above stated, any reason for not delivering said bonds when demanded as aforesaid.

The defendant offered no evidence, and declined to go to the jury with any question of fact, but asked the court to hold as a matter of law, that under said Act of Congress, National Banks could not be held liable for special deposit; that said Waite could only bind himself, and not the Bank, by the contract set forth in said receipt. No other question was raised by defendant.

The Court, *pro forma*, declined to hold as requested, but directed a verdict for the plaintiff, to which the defendant excepted, and the case was certified to the Supreme Court.

The opinion of the Court was delivered by

WHEELER, J.—Although the plaintiff has in this action declared as for a tort, still, so far as the tort rests upon contract, the same rules are to govern that would if the contract itself had been declared upon; as was said concerning actions of tort founded on the contracts of infants in *Towne et al. v. Wiley*, 23 Vt. 355, and was held respecting the tort of a married woman resting on her contract, in *Woodward & Perkins v. Barnes and Wife*, 46 Vt. 332. The assumption of the obligation that the law imposes upon a depositary to keep the deposit, is, of itself, a contract, as is apparent from the nature of the transaction, and from authority: Jones on Bail. § 5; Story on Bail. § 50. In this case there is no evidence of any actual conversion of the plaintiff's bonds to the use of the defendant Bank. And in the evidence of some constructive conversion, which the demand and refusal might otherwise afford, what was said in connection with making the refusal is to be taken as a part of it, and altogether that does not show any refusal in denial of the plaintiff's right, but rather a want of power to deliver, and an excuse for it, which would be very doubtful if not insufficient evidence of a conversion, if the demand had been

made of the party who had become the depositary: 2 Greenl. Ev. § 644; and would be none whatever of a conversion by the Bank, in this case, unless it had itself become the depositary. The transactions by which the plaintiff claims that the Bank had become the depositary were wholly with the cashier, and their effect to charge the Bank rests entirely upon his power in that direction. There is no controversy, and could not properly be any, that if the taking of these bonds to keep, as they were taken by the cashier, was within the scope of the corporate business of the Bank, then the Bank did become the depositary of them subject to the liabilities of that relation; and if without, not.

A Bank is an institution for the custody, loaning, exchange or issue of money, and for facilitating the transmission of funds by draft or bills of exchange: Webster's Dict.; Burrill's Law Dict.; Bouvier's Law Dict., tit. *Bank*. In *Foster v. Essex Bank*, 17 Mass. 497, the Bank was chartered by that name with power to contract by it and without other express powers, leaving the scope of its corporate business almost wholly to implication; but, according to the special verdict in the case, it had always been its practice to receive special deposits of money and other valuable things with the knowledge of and without objection by its directors. An important question in the case, which was debated by as able counsel as any in the country, was as to the power of the president and cashier to bind the Bank by taking a large amount of gold coin in kegs to keep, on the taking of which a memorandum of its weight and amount was made, to which the president appended a statement signed by him (but not by his official title), that the coin was weighed in his presence, and the cashier a statement, signed by him as cashier, that it was left at the Bank for safe keeping. After much deliberation, it was decided that, on account of that practice, and not because it was a part of legitimate banking business, the Bank became charged with the liabilities of a depositary of the coin. That case is much relied upon for the plaintiff in this case, and no other case as to the scope of the powers of Banks, of sufficient importance to attract the attention of counsel, appears to have arisen and been decided between that and the passage of the Act of Congress, in 1864, under which this Bank was organized.

In authorizing the formation of banks under that act, the framers of it must have had in view what the objects of banks were defined to be and what their powers were understood to be; and, with those things in view, after providing how the banks might be organized and officered, make contracts, sue and defend, enacted that they might exercise under that act "all such incidental powers as shall be necessary to carry on the business of banking by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin and bullion; by loaning money on personal security; by obtaining, issuing and circulating notes according to the provisions of this act." Deposits in banks had then long been

well understood to mean the placing of money in a bank, to the credit of the depositor, to be used by the bank as its own, and be drawn against by, or paid to, the depositor at his pleasure, and not the delivery of either money, securities, or other property, to be specifically kept and re-delivered. These latter had been equally well-known as special deposits: *Story on Bail*, § 88; *Foster v. Essex Bank*, 17 Mass. 497. The receiving of such special deposits is not in any sense necessary to carrying on the business of banking. If made of money even, no use could be made of it whatever, nor could any profit be derived from it unless charge should be made for the custody, and then that business would be more like that of a warehouseman than that of a banker. The receiving such general deposits is a part of ordinary banking business, and power to receive them is necessary to carrying on that part and useful to carrying on others; and when Congress granted to the banks the incidental powers necessary to carry on the business of banking by receiving deposits, the kind of deposits that the settled meaning of the term, used in such connection, would apply to, and the kind that would answer the description as to being necessary, must have been intended. The express grant of powers mentioned is, on familiar principles, an implied exclusion of all not mentioned. It has been urged with plausibility, for the plaintiff, that the mention of special deposits in section 46 of the Act shows that such were meant to be included among those that the banks, by section 8, are authorized to receive. But the provisions of section 46 are made solely with reference to winding up the affairs of banks after their business has been stopped, and not at all with reference to the prosecution of it; and this part of the section has especial reference to restricting, and not any to enlarging their powers. And then banks that would have deposits as security for loans might have their business stopped, and, if so, under the provision that they should not prosecute business except to receive and keep their money, they might be embarrassed about such special deposits, on payment of the debts, without such a provision as that in section 46 authorizing the delivery of them. But, whatever else may have been the purpose of inserting that clause there, it seems plain that it was not intended to add to powers that had been so categorically set forth in another separate section as to indicate that all were intended to be named there.

This Act of Congress, besides authorizing the formation of banks, provided a mode for organizing them by the shareholders signing a certificate stating the name, place, and amount of stock of the bank, the number of shares to each stockholder, and a declaration that the certificate was made to enable them to avail themselves of the advantages of that Act. In the absence of any showing, it is presumed, from the concession that this is a National Bank organized under that Act, that it was organized in that mode; and, in organizing in that way, the shareholders would have a right to and would understand that they were engaging in no business except that which the Act authorized, and that their officers, chosen

by them under that Act, would have no authority to enter into any business other than that; to bind them, and to allow the officers to jeopardize their interests, by engaging in other business to the advantage of other persons, would allow the officers to perpetrate a fraud on the shareholders for the benefit of others.

It is insisted for the plaintiff that the cashier, by taking the bonds and delivering the written certificate that they were deposited in the bank for safe keeping, bound the bank to keep them safely, and that it has thereby become responsible for them. But, although Lord Coke in his report of *Southcote's Case*, 4 Rep. 83, and in his commentary on Littleton, 1 Inst. 89 a. b., considered that a bailment to keep merely and one to keep safely were of the same obligation, other reports of that case do not seem to warrant his conclusion from it: *Southcote v. Bennett*, Cro. Eliz. 815. And it appears to be now well settled that there is a substantial difference between the two undertakings: *Coggs v. Bernard*, 2 Ld. Raym., 911; Jones on Bail. 48; Story on Bail. § 72. In *Foster v. Essex Bank*, it was expressly decided that neither the cashier nor the president of that Bank, even when it had followed the practice of taking special deposits, could bind it by an express promise to keep the coin deposited safely, because such a promise would be outside the practice of taking to keep merely. And clearly, on the authority of that case, the cashier in this case could not bind this Bank by an express promise to keep the plaintiff's bonds safely. And the undertaking to keep, implied from the mere acceptance of a deposit, is as far outside the authorized business of this Bank as that express undertaking was outside the practice of that one. This case does not show that the cashier placed these bonds in the vault, or with the property of the Bank, at all; but doubtless the plaintiff expected he would, and he did put them into the vault of the Bank. But, if he did, he did not do it as the agent of the shareholders of the Bank in their corporate capacity, for he had not been made agent for such a purpose. If he had himself become a depositary and put them there because he considered that to be a safe place for him to keep them in, then the Bank is no more liable for them than it would be for bonds of his own if he should put them there for the same reason. If he was the plaintiff's agent in putting them there, they were there at the plaintiff's risk as much as they would have been if the plaintiff had himself, with leave of the person in charge, placed them there. In neither case would the Bank be any more liable than a merchant would be if the plaintiff should get his clerk to lock bonds of the plaintiff in his safe; or than a town would be if he should get the town clerk to lock his bonds into the safe used to keep the town records in. The cashier had no authority to bind the Bank by any contract for the custody of the bonds, and the mere fact, if it was the fact, that they got into the vault of the Bank would not charge the Bank with their custody. National Banks have uses for Government bonds, and might in various ways, probably, convert them to their use, and should



they do so they would unquestionably be liable for the tort as natural or other artificial persons would; but as this case now stands no such cause of action appears.

*Foster v. Essex Bank* is the only one of the cases cited in argument, or that has been observed, that has involved any question enough like the leading one in this case to afford any direct guide for its decision; and there is this difference between that case and this, that in that case the charter did not proceed to express what powers the Bank should have to make contracts and to do business, while in this the act under which this Bank is organized does expressly set forth what powers the Banks should have, and does not include power to take special deposits among them. This case would have been like that as to powers of the Banks if the Act of Congress after authorizing the formation of Banks with powers to contract, sue, and be sued, had stopped there, without setting forth anything about the business as to which they might contract. As it is, the case has had to be decided more upon the construction of the Act of Congress, considered with reference to settled principles that stand about the subject, than upon decided cases. And upon that act so considered it is determined here that the taking such special deposits to keep, merely for the accommodation of the depositor, is not within the authorized business of such banks, and that their cashiers have no power to bind them to any liability on any express contract accompanying or any implied contract arising out of such taking.

And this conclusion cannot work any injustice or hardship to the plaintiff, for he dealt with the cashier because he chose to, not because he was obliged to, and if the cashier in the dealings assumed to have any power he did not have, the plaintiff trusted him in that respect and has his responsibility to rely upon to vindicate the assumption. And if the cashier incurred any liability as for himself, the plaintiff likewise trusted him about that and has the same responsibility of the cashier to look to for it.

Judgment reversed and cause remanded.

[Our comments upon this question are reserved for the August number.—ED. B. M.]

---

## THE LAW OF GUARANTEE.

### WHAT CONSTITUTES A GUARANTOR OF A PROMISSORY NOTE.

#### SUPREME COURT OF ILLINOIS.

*Samuel Glickauf v. Kaufman et al.*—*Appeal from Superior Court of Cook.*

Opinion of the Court by SCOTT, J.

The question raised is, whether appellant is the guarantor or indorser at common law, or under our statutes, of the notes which are the subject of this litigation.

The declaration declares against appellant as the guarantor of two promissory notes executed by Rothchild, and payable to the order of appellee, to which he filed three pleas: 1st, That he did not undertake and promise, or guarantee, in manner and form as alleged. 2d, That he did not execute any guaranty in writing on either of said notes; and 3d, That he did not in any manner or form guarantee the payment of the notes. All of which were verified by his affidavit.

We have carefully considered the case in the light of the evidence, and we cannot but regard the undertaking of appellant as a primary obligation, being that of a guarantor, and not as a mere indorser at common law or under the liability imposed by our statute.

From the evidence of appellant, who was a witness in his own behalf, it appears he wrote his name across the back of the notes at the date of their execution and before delivery; that no guaranty was then written over it, and while he most positively declares he never guaranteed the notes, he nevertheless does state he indorsed the notes in pursuance of the tripartite agreement introduced in evidence. That agreement was signed by the creditors of Leopold Rothchild, among whom were appellees, the maker of the notes, Leopold Rothchild, and appellant. It was agreed the creditors would accept, in full satisfaction of their respective claims, thirty-five per centum, in consideration of the same being secured by the indorsement or acceptance of appellant on the notes of Rothchild. And appellant, on his part, agreed that upon the execution of the agreement by all the creditors he would assume and become responsible to each of them respectively for thirty-five per centum of his or their claims against Rothchild, and would deliver to the creditors in settlement thereof the individual notes of Rothchild with his own indorsement thereon, or, at the option of any creditor, the drafts of Rothchild accepted by him and payable as stipulated.

The rule of law is so well settled by a uniform course of decisions in this State, it admits of no further discussion, that where the name of a person, not the payee of the note, is indorsed on it before delivery, the presumption is, in the absence of evidence to the contrary, he indorsed it as guarantor. *Cushman v. Dement*, 3 Scam., 499; *Lincoln v. Hanzey*, 51 Ill. 435.

This presumption has not been overcome by anything in the evidence. The oral testimony in the case must be considered in connection with the written agreement between the parties, and, when that is done, it very clearly appears appellant indorsed the notes as guarantor and not in the capacity of an indorser at common law. The terms employed in the written agreement are wholly inconsistent with appellant's theory of the case. He was to "assume and become responsible" on the notes to be given, and, at the option of any creditor, he was to "accept" the drafts of Rothchild. These words indicate as unequivocally as language can, that appellant's obligation was primary, not secondary. He was to indorse the notes, that is, he was to place his name on the back of them. But how? Not in the capacity of indorser as at common law or assignor under our statute, but in pursuance of the written agreement so as to become responsible primarily as an original undertaking. The fact the creditors had the option to have him accept the drafts of Rothchild is conclusive evidence the obligation he was to assume was absolute and not conditional.

The Court was asked by counsel to decide the agreement between appellant and appellees was that of indorser at common law, or that of assignor, under the statute of this State. This the Court properly refused to do. Appellant was not a mere common law or statutory indorser. The legal effect of the agreement was to make him a guarantor of the payment and not merely of the collection of the notes to be given in satisfaction of Rothchild's indebtedness. The evidence is full to this point. Hence appellees were authorized to write a guaranty over the signature of appellant. It was the legal effect of the agreement between the parties.

The Court committed no error in construing the contract, and its judgment must be affirmed.

Judgment affirmed.

## INQUIRIES OF CORRESPONDENTS,

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

## I. THE LIABILITY FOR FORGED SIGNATURES.

— BANK, NEW ORLEANS, 1875.

I find a diversity of opinion among bank officers and business men upon the question of the liability of an indorser upon a forged check which has been paid by the bank upon which it is drawn. Will you please give the generally accepted view and weight of decisions upon the point?

Suppose that in the course of business A receives a check, purporting to have been drawn by B on the First Bank, and indorses it for deposit in the Second Bank. It passes through the exchanges on the following day, is paid by the First Bank and charged to the account of B.

Subsequently B alleges that the signature is a forgery. Has the paying bank recourse on the indorser from whom it was received?

Do not the decisions on page 982, BANKER'S MAGAZINE for June, 1874, and page 463, BANKER'S MAGAZINE for December, 1874, bear on this point?

REPLY.—The general principle of the law on this point is, that a bank is bound to know its customer's signature; that, accordingly, if it makes payment upon a signature which is not genuine, it must suffer the whole loss which shall result therefrom. It is considered that, although the drawer and drawee of a forged check may be equally innocent, morally, yet the loss has arisen through some degree of neglect or default on the part of the latter; and, however small this neglect may be, it suffices to fix the loss upon him.

The cases alluded to as possibly bearing on this point come under a different principle. They each refer to a check whose signature was genuine, but of which the amount had been altered. In such cases the party upon whom is proven the neglect of proper caution must suffer the loss. Recent rulings agree that, unless the bank which pays or certifies an *altered* check has failed to detect an obvious fraud, it cannot be held liable when the attendant circumstances ought rather to have put upon his guard the party who took the check, however innocently.

## II. THE ABOLITION OF GRACE ON BILLS AND NOTES.

— NATIONAL BANK, MICH., June, 1875.

Is not the whole system of allowing grace on time obligations a nuisance, and a source of confusion, and nothing else? No doubt, when the custom was first established as a *privilege*, or *favor*, it served a good purpose; but now that it is universally claimed as a *right*, the benefit derived from it is obsolete. No one is accommodated by "thirty days" in a note or bill being construed to mean thirty-three days; and the confusion and misunderstandings arising from it, and the conflicting laws in the different States in regard to it, are innumerable. Why not abolish it altogether, and have paper mature according to the terms of its face? I am aware that "the law and usage is one that pervades the whole commercial world," and that to be rid of it will involve much agitation; but will not the result be worth the effort?

It seems to me the coming Convention of Cashiers, at Saratoga, may be a fitting time and place to initiate the reform. Let the matter be presented then, discussed, and committees appointed in the various States to superintend the petitioning of their respective Legislatures for the enactment of laws, as nearly uniform as possible, establishing the fact that a note or bill shall mature, *literally*, according to the terms of its face, and thereby abolish all existing laws relating to grace.

CASHIER.

REPLY.—Although the abolition of days of grace on bills and notes would promote general convenience, the usage is one so firmly rooted that its dislodgment must be very difficult. Originally granted by the holder as a favor, it has ripened into a positive right of the payer, and as such would be reluctantly given up by that large class of the business community—the debtor. Yet, inasmuch as some of the older countries have done away with this custom, it is not impossible that our own more progressive nation may see fit, before many years, to make the change suggested, and there are some strong reasons for it.

In France, where formerly ten days of grace were allowed, there are now none, the Code Napoleon having abolished them. There are none in Holland. Three days are allowed in England, Scotland, Wales and Ireland, and, with some exceptions, in Berlin, Trieste and Vienna. Four days are the rule at Frankfort on the Main; six days in Venice; twelve in Hamburg, and fifteen in Brazil. In other places there are some curious exceptions; at Lisbon and Oporto fifteen days on local and six on foreign bills, but if not previously accepted they must be paid on the day they fall due, or be dishonored. St. Petersburg allows ten days on bills payable after date, and three on those at sight, while on those at any number of days after sight, no grace whatever. And in Spain the usage varies, in different parts, from fourteen to eight or six days, bills payable at a fixed date having none. In international exchanges, this want of uniformity is a serious inconvenience.

In regard to drafts payable at sight, and to time checks on banks, there is an obvious necessity for explicit legislation in all States, and the suggestion of our correspondent is well worthy of attention.

### III. CAN A NATIONAL BANK TAKE NOTES SECURED BY MORTGAGE AS COLLATERAL?

— WOOSTER, O., June 16, 1875.

Under section 28 of the National Bank Act, National Banks are not permitted to purchase, hold or convey real estate, except for purposes therein specified. The prohibition is founded upon principles of banking recognized as sound by all careful bankers, and is evidently intended to prevent the making of loans solely upon real estate security.

Now, suppose the bank makes a loan on a promissory note, taking as collateral security a mortgage note in favor of the maker, and then, the note to the bank having been dishonored, proceeds to foreclose the mortgage. Is the loan void?

REPLY.—Such a loan is in violation of the National Bank Act, and it has been clearly decided that any mortgage note is worthless as a security to the bank. That the *loan itself* is absolutely void as to the maker we do not, however, understand.

BOOK NOTICES.

---

*Digest of Decisions in the Courts of Last Resort of the Several States, contained in the American Reports, from Volumes I to XII, inclusive.* By ISAAC GRANT THOMPSON, 1870-1875. Albany: John D. Parsons, Jr., 1875.

This is a useful volume, and it should be in the library of every bank and banker in the country. The fund of information it contains is admirably arranged, and the man of business has little difficulty in turning without delay to the precise point on which he desires information. The work contains 400 pages, and is preceded by a valuable table of more than 300 important cases which have been overruled, doubted, denied, &c. To some persons the usefulness of this book would have been enhanced had it contained an analytical index. The value of such an apparatus in a book as carefully prepared as this, it is impossible to overestimate. The want is less felt, however, because of the alphabetical order and lucid arrangement of the subjects. The chapters on agency, banks and banking, bills and notes, corporations, insurance, mortgages and the statute of frauds, as well as those on trusts, telegraphs and sureties will be found both useful, condensed, and, as far as they go, complete.

---

*A New Monetary System.* By EDWARD KELLOGG. Edited by his daughter, MARY KELLOGG PUTNAM. Fifth edition. Philadelphia: Henry Carey Baird; and London: Samson Low, Marston, Low & Searle. 1875.

This book is furnished with an excellent index, an elaborate appendix, and a full table of contents. It bears other marks of careful editing, and it has gone through five editions. It is preceded by a biographical sketch of the author by his daughter, who tells, in a dozen pages, all that the public wish to know of the author. He was born at Norwalk, Conn., in 1790, and commenced business as a dry goods merchant in this city. He was a frequent contributor on monetary subjects to the *New York Tribune*, and he warmly advocated the issue of paper money. He died 29th of April, 1858, nearly four years before the partial adoption of his theories by Congress, and the passage of the Legal-Tender Law of February, 1862. His book is well worth reading, though his theories are much more unpopular than they were some time ago. It is an earnest book, into which the writer put the whole wealth of his mind and heart. In his fundamental principles of finance we think he erred greatly, but he never failed throughout a long and honored life to follow the highest intelligence he had, and to do good according to the best of his power. The book before us consists of two parts, of which the first treats of the nature of money and of value, the growth of capital, the advantages of a low rate of interest, the principles of credit, the nature and management of banks, the regulation of the currency, and the repeal of the usury laws. These preliminary discussions fill up two-thirds of the volume. The remainder is occupied

by an exposition of the author's system of paper money, which is substantially the same as the current theories to which we have often had occasion to refer. Starting from the principles of John Law, he extends these principles much farther than Law ever did. The chief defect of Mr. Kellogg's book, next to that we have mentioned, is that it was written before the gold discoveries of 1849, and consequently is out of rapport with the age of inflation, which was started by those discoveries and which is only as yet beginning.

---

*Protection and Free Trade: an Inquiry whether Protective Duties can Benefit the Interests of a Country in the Aggregate: Including an Examination into the Nature of Value, and the Agency of the Natural Forces in producing it.* By ISAAC BUTTS. New York: G. P. Putnam's Sons. 1875.

The machinery of our courts of justice, it has been said, is better adapted than any other for the discovery of rights and the adjustment of wrongs. It gives us on each side of the dispute a man who is to be its advocate, and presents every fact and argument in the most favorable light it will bear. Secondly, we have a Judge, whose duty it is to sum up with impartiality the facts and arguments adduced, with the proper legal principles and statutes pertaining thereto; and, finally, to represent the great tribunal of public opinion, we have twelve men solemnly intrusted as a jury with the final decision of the case. Something like this may be said of the process of investigation in finance and political economy. But it is to be regretted that a like orderly method of procedure cannot be adopted in the discussion of economic theories and financial problems. Why is it that we confine our reading so exclusively to the books and newspapers whose views agree with our own? Why not allow the advocates on both sides a patient, full hearing, that the public may impartially decide between them? One reason is, the lack of men competent to take the part of the Judge, and to sum up impartially the whole of the facts and arguments and to concentrate them in one focus, illumined, harmonized, and subordinated to each other under the piercing rays of his penetrative sagacity and broad scientific exposition. Another reason, doubtless, is, that the public have too little knowledge, and the advocates on each side too much dogmatism. The book before us is not judicial in tone, and does not pretend to be. Mr. Butts is an ardent advocate of that side of the great economic problem of the nineteenth century which appeared to him to be right. So certain was he that the thing which seemed right to him was absolutely right for all men and for all nations in every age, that he could not adjust the lens of his mind's eye to the distinct contemplation of the arguments which refute his own. Hence Mr. Butts was just the man to succeed as a leader and organizer of other men. He was a clear, earnest, impressive writer, and, as a journalist, he filled for twenty years a prominent and useful place as editor of one of the leading daily newspapers of this State. His book deserves to be read by the men who oppose his principles, as well as by those who advocate them. It exhibits a great amount of reading, with an enviable capacity for concentrating in compact vivid masses the reasoning and the facts which he collected from all sources in defense of his favorite opinions. His style is also more accurate and clear than that of not a few editorial writers of more pretension.

*The Example of France: Two Essays on the Payment of the Indemnity, and the Management of the Currency since the German War, 1870-74.*  
By VICTOR BONNET. Translated from the *Revue des Deux Mondes*,  
by GEORGE WALKER. New York: D. Appleton & Co., 1875.

These admirable essays have been referred to in our pages more than once, and although Mr. Walker's translation of them has had a large sale, it deserves to be more widely known and appreciated. The essays are preceded by a useful summary of facts, which adds much to the value of the work. Mr. Walker explains that "the war lasted less than ten months, and its cost was \$1,857,776,400, an amount equal to two-thirds of our war debt, and incurred in less than one-fourth of the time occupied by our war. In July, 1870, when the war began, the circulation of the Bank of France was \$251,000,000 and the specie in hand \$229,000,000, or about 90 per cent. Specie payments were suspended, and bank-notes made a legal tender in August of that year. The first bank statement published after the peace, June, 1871, showed a circulation of \$442,000,000, and a specie reserve of \$110,000,000, or about 25 per cent. The highest figures attained by the circulation November 19th, 1873, were \$602,000,000, and the specie reserve at that date was \$146,000,000, or 24 per cent. The greatest depreciation of bank-notes as compared with gold, was in November, 1871, when it rose to 2½ per cent., But it shortly afterwards declined to par. At the latest date received, December 10, 1874, the circulation stands at \$264,000,000, or more than 52 per cent. There would seem, therefore, to be no longer any financial obstacle to the immediate resumption of specie payments. The change in the situation of the Bank within the last twelve months is indicated by a decline in the circulation of \$61,000,000 and a gain of specie of \$116,000,000, showing an aggregate improvement in cash means as compared with immediate liabilities, of \$177,000,000."

It is much to be desired that Mr. Walker, or Mr. Balch, or some other competent person, would translate the official report of M. Léon Say, the French Minister of Finance, on the payment of the indemnity, from which the foregoing figures are chiefly taken. Mr. Walker gives a suggestive comparison of the habits of the French people with those of the English in the use of bank accounts, checks and other subsidiary instruments of credit, and shows that the absence of these expedients makes a larger monetary circulation necessary in France than in England. He also adds that "in point of economy in the use of capital, the English have signally the advantage, inasmuch as the widely ramified system of banks and savings banks in the United Kingdom gathers up and aggregates all the petty hoards and savings of the nation, drawing almost the entire metallic stock of the country not in actual use into the Bank of England. But this far-reaching economy entails on the country corresponding dangers. It makes it peculiarly susceptible to crises, and involves the whole nation in any misfortunes which may involve the center. The entire kingdom vibrates with every shock experienced in London; and London, as we have seen so many times in the last three years, is agitated by every political or commercial event which disturbs the tranquillity of Europe or America." These words receive a striking confirmation from the events of the last month. The pamphlet, as will be seen, contains in a small compass a fund of suggestive information which every financial man may easily gain, and is usually expected by his less informed neighbors to possess.

*Le Crédit et les Banques d' Emission. Par Victor Bonnet. Paris: Guillaumin, 1875.*

M. Bonnet is well known to many of our readers by his lucid publications on the payment of the French indemnity. He has just been elected a member of the Council of the *Crédit Foncier de France*, as well as of the *Crédit Agricole*. The work above mentioned contains several new essays, to which is added a part of M. Bonnet's work, *Le Crédit et les Finances*, published in 1865. The present work is devoted more exclusively than the former one to the Banking question. M. Bonnet is in favor of a single Bank of issue. He argues that, of the two systems adopted in various countries, that of an uncontrolled issue of notes, with no other condition than their convertibility on demand, which is the system of the Bank of France, or that of an issue of notes, subject to restrictions, as established in England by the act of 1844, and adopted recently by Germany, the former is the most simple and rational. The absolute obligation of receiving the notes in exchange for specie, and the frequent publication of the situation of the banks are, he believes, except in such cases of *force majeure*, as wars and revolutions, the only effective precautions against an inflated currency,—all others being illusory, as they do not preserve banks from a suspension of specie payments when grave difficulties arise; while, under favorable circumstances, they are an obstacle to a note circulation rendering all the services of which it is capable. M. Bonnet admits that there may be a danger that an inflated circulation will destroy the monetary equilibrium, and raise prices abnormally; but that inconvenience, he says, is inherent to all kinds of paper put in circulation to facilitate trade, whether commercial paper, bills of exchange, or even checks. The system of the Bank of France has succeeded, he contends, where the other has failed, because it is founded less on rule and more on the intelligence and responsibility of the Board of Direction. With the system of restriction, a bank has only to keep in hand the required minimum of cash, or not exceed the limit of issue, and it is dispensed from all other care; the Directors knowing that, if embarrassments arise, the Government will relieve them of the obligation to give cash for their notes. With the system of unrestricted liberty, on the contrary, the Directors cannot take shelter behind the law; and it is for them to see that their reserve is always such as to make sure of the convertibility of their notes. The Bank of France has indeed, as he admits, been twice forced to suspend its payments in specie, but the circumstances were then such as to override all prevision, and the most severe restrictions would not have averted the necessity for such a measure. Yet, when the forced currency was decreed, in 1848, the metallic reserve still exceeded a third of the notes; and in 1870 the Bank of France possessed more than 1,000 millions of specie to a circulation of 1,600 millions. M. Bonnet is opposed to a very low rate of discount at the State Bank of issue, which would cause it to compete with the other establishments of credit. If these, he argues, when capital is abundant, choose to lend at a low rate, they have a right to do so; they have not the same responsibility. This part of M. Bonnet's work will be read with much interest in this country.



## NATIONAL BANKS OF THE UNITED STATES.

May, 1875.

Abstract of reports made to the Comptroller of the Currency, showing the condition of the National banks of the UNITED STATES, at the close of business on the 1st of May, 1875,\* and also on May 1st, 1874, and April 25th, 1873.

LIABILITIES.	1875. May 1, 2,045 banks.	1874. May 1, 1,978 banks.	1873. April 25, 1,962 banks.
Capital stock paid in.....	\$ 497,717,143	\$ 490,077,101	\$ 487,891,251
Surplus fund.....	131,404,608	125,561,081	115,805,574
Undivided profits.....	55,849,959	54,331,713	52,415,348
National bank notes outstanding.....	322,522,330	340,267,649	338,163,864
State bank notes outstanding....	813,079	1,049,286	1,280,208
Dividends unpaid .....	2,502,234	2,259,129	1,462,336
Individual profits.....	692,558,620	649,286,298	616,848,358
U. S. deposits.....	6,797,972	7,994,422	7,880,057
Deposits of U. S. disburs'g officers	2,766,387	3,297,689	4,425,750
Due to National banks.....	127,083,238	135,640,418	126,631,926
Due to State banks and bankers.	52,654,956	48,683,924	35,036,433
Notes and bills re-discounted....	5,671,031	4,581,420	5,403,043
Bills payable.....	6,079,632	4,772,662	7,059,128
<i>Aggregate Liabilities..</i>	<i>\$ 1,904,421,193</i>	<i>\$ 1,867,802,796</i>	<i>\$ 1,800,303,280</i>
RESOURCES.			
Loans and discounts.....	\$ 964,574,114	\$ 923,347,030	\$ 912,064,267
Overdrafts .....	3,979,383		
U. S. bonds to secure circulation.	377,026,900	389,249,100	386,763,800
U. S. bonds to secure deposits...	14,372,200	14,890,200	16,235,000
U. S. bonds on hand.....	14,290,800	10,152,000	9,613,550
Other stocks, bonds, & mortgages	29,102,197	25,460,460	22,449,146
Redeeming and reserve agents...	80,620,878	94,017,603	88,815,557
Due from other National banks..	45,980,330	41,291,015	38,671,088
Due from State banks & bankers.	11,984,531	12,374,391	12,883,353
Real estate, furniture and fixtures	40,051,527	36,708,066	34,216,878
Current expenses .....	7,703,477	7,547,203	7,410,045
Premiums paid.....	8,413,874	8,680,370	7,559,987
Checks and other cash items.....	13,120,606	11,948,598	11,425,209
Exchanges for Clearing-House...	116,970,819	94,878,218	94,132,125
Bills of other National banks....	19,465,359	20,673,452	19,310,202
Bills of State banks.....	24,681		
Fractional currency.....	2,702,200	2,187,186	2,108,973
Specie on hand.....	9,980,961	32,569,969	16,868,808
Legal-tender notes .....	83,980,928	101,692,930	100,605,287
U. S. certif. for legal-tender notes	38,655,000	40,135,000	18,370,000
Three per cent. certificates.....			710,000
Five per cent. redemption fund..	16,787,279		
Due from U. S. Treasurer other than 5 per cent. Red'n Fund..	5,627,142		
<i>Aggregate Resources ..</i>	<i>\$ 1,904,421,193</i>	<i>\$ 1,867,802,796</i>	<i>\$ 1,800,303,280</i>

\* This statement is exclusive of one bank in San Francisco, from which a report has not yet been received.

## THE SARATOGA CONVENTION.

The following circular, which has been sent to all banks and bankers throughout the United States, furnishes some information as to the progress and prospects of the undertaking. In our June number the original call was published and our comments expressed. We can only repeat that we wish for this Convention a large attendance and results of abundant usefulness:

NEW YORK, June 21st, 1875.

*To the Bank Officers and Bankers of the United States:*

DEAR SIR: A meeting of the Committee of Arrangements for the Convention of Bank Officers and Bankers, to be held at Saratoga, on the 20th of July, was held in this city on the 24th ultimo, at which committees for perfecting the necessary arrangements were appointed.

It was the decided sense of the Committee that all questions of a political or sectional significance should be carefully avoided in the Convention, and that the meeting should be for business and social purposes only, the object being to bring bank officers and bankers into closer relations, with a view to the advancement and protection of mutual interests. The Committee respectfully recommend that every bank send a representative, and it is hoped that out of this meeting, and such others as will naturally follow, will grow results of a business and social character of importance to all.

A large attendance is expected, and the work necessarily entailed upon the Committee of Reception will be onerous. To relieve them, as far as possible, those who propose to attend will please notify J. S. Leake, Cashier, or S. H. Richards, Cashier, Saratoga Springs, N. Y., before July 10th.

It is also requested that all delegates, on arriving at Saratoga, will register either at the First National Bank or Commercial National Bank, where appropriate badges will be furnished.

The "original call" is hereto appended, as it is possible that it may have failed to have reached some of the banks. It is, therefore, reproduced without the names of the signers.

You are urgently invited to attend this National Congress of Bankers, and your cordial co-operation and aid in the preliminary arrangements solicited, and correspondence and suggestions invited, which may be addressed to either the Chairman or Secretary of this Committee.

Very truly yours,

A. P. PALMER, Chairman of the Committee,  
(Cashier Albany City National Bank, Albany, N. Y.)

J. D. SCULLY, Secretary,  
(Cashier First National Bank, Pittsburgh, Pa.)

The following gentlemen were present at the meeting of the General Committee of Arrangements:—E. H. Perkins, Jr., Cashier Importers and Traders' National Bank, New York; George F. Baker, Cashier First National Bank, New York; George W. Perkins, Cashier Hanover National Bank, New York; E. Skillin, Cashier Central National Bank, New York; A. W. Sherman, Cashier Dry Goods Bank, New York; A. P. Palmer, Cashier Albany City National Bank, Albany; C. E. Upton, Cashier City Bank, Rochester; J. S. Leake, Cashier First National Bank, Saratoga Springs; R. B. Conant, Cashier Eliot National Bank, Boston; Morton McMichael, Jr., Cashier First National Bank, Philadelphia; J. D. Scully, Cashier First National Bank, Pittsburgh; C. C. Cadman, Cashier Merchants and Manufacturers' Bank, Detroit; L. C. Murray, Cashier Kentucky National Bank, Louisville; J. T. Howenstein, Cashier Valley National Bank, St. Louis; J. W. Lockwood, Cashier National Bank of Virginia, Richmond.

## BANKING AND FINANCIAL ITEMS.

**THE CENTENNIAL.**—A meeting of bank presidents of Philadelphia was held on June 7th, at the Girard National Bank, of that city. Committees of arrangements were appointed for the meeting of bank presidents from various portions of the country, to be held on June 24th. The call for the meeting is as follows :

*Resolved*, That all National and other banks, and all bankers of the United States be and they are hereby invited to send representatives to a meeting to be held in Philadelphia on the 24th day of June, 1875, on the Centennial grounds, to form an association for the purpose of collecting, classifying and exhibiting, in a suitable department of the Centennial buildings, specimens of the coins and paper money of the American colonies, of the United States, and of all the States, from the earliest settlement of the country to the date of the Exhibition, together with such statistics of banking and finance generally as will make that department attractive, of historic interest, and illustrative of the development and progress of the country.

**MR. SPINNER'S SIGNATURE.**—A writer in the *Indianapolis Journal* says : "The law requires all notes, bonds and interest coupons issued by the Government to bear the signature of the Treasurer. In former times, before the invention of greenbacks, and when the bond issues of the Government were comparatively insignificant, the Treasurer used to affix his personal signature to them. When General Spinner came into office in 1861 he still pursued this practice for awhile, and nearly killed himself in the monotonous manual labor of writing his name. It soon became evident that the work was greater than any man could do, and left him no time whatever for other more important duties. So when the first issue of Government notes was made in the summer of 1861, a different arrangement was made. These notes were receivable for customs duties, and being payable on demand were called demand notes. The whole amount of them issued was \$60,000,000. This was before the Government began to print its own notes. These demand notes were engraved and printed in New York, and sent to the Treasury Department at Washington to be signed by the Treasurer and Register. As the theory still prevailed that they must be signed by hand, a force of about eighty clerks was organized to do the work by deputy, one-half acting as Deputy Treasurers and the other as Deputy Registers. At first the words 'for the' had to be written in, making the signature read, 'John Jones, for the Treasurer,' or for the Register, as the case might be. Afterwards the words 'for the' were engraved, and only the signature had to be written. The signing of the \$60,000,000 of demand notes occupied this force of eighty men about six months—from August, 1861, to February, 1862. Although the Government credit was good at that time, it was even then sorely pressed for ready money to meet the heavy expenses of organizing and equipping the Army. Thus the demand notes were called for faster than they could be signed, and it often occurred that the whole force of clerks was kept at work till nearly midnight signing bills which would be cut and trimmed early the next morning, and in some paymaster's chest before night. It happened to the writer to have charge of the work, and he well remembers the high degree of gratification evinced by the then Secretary of the Treasury, Mr. Chase, on learning that the last sheet of demand notes had been signed without the loss of a dollar. These were the last Government notes signed by hand."

**THE SAVINGS BANK LAW OF NEW YORK.**—The full text of this new act is published in a supplement to the *Albany Law Journal*. We have already given a summary of its provisions, but have not space for the entire bill.

**THE CALLS OF FIVE-TWENTY BONDS.**—The Secretary of the Treasury, on June 1st, issued a call for the redemption of \$10,000,000 of 5-20 bonds of 1862, to be paid on the 1st of September, at the United States Treasury, at which date interest will cease. The amount called is in coupon bonds, of the following numbers all inclusive:

\$50—No. 20,301 to No. 21,002. .... \$500—No. 27,501 to No. 31,900.  
\$100—No. 51,601 to No. 59,100. .... \$1,000—No. 80,651 to No. 91,500.

This is the twentieth call, of which four calls are now out and not yet responded to, viz.:

17th call, for.....	\$5,000,000,	expires July 20.
18th " .....	5,000,000,	" Aug. 1.
19th " .....	5,000,000,	" Aug. 15.
20th " .....	10,000,000,	" Sept. 1.

Total.....\$25,000,000.

**ROBBERY IN THE TREASURY DEPARTMENT.**—A package, containing \$47,098.52 in money, was stolen; on June 2, from the cash room of the Treasury. It was addressed to the National Park Bank, New York, and was missing when the day's business was closed up at the regular hour. Strenuous efforts have been made to discover the perpetrator of this theft, but thus far without success. As the money was principally in \$500 bills, it can hardly be used without leading to detection.

In regard to shortages in money packages sent to the Treasury for redemption, the *Washington Star* states that the bank officials are as often chargeable with error as the Treasury officials, and that in a dozen cases banks have been notified of errors in their favor, ranging in amount from one hundred to five thousand dollars.

**THEFT IN A BANKING-HOUSE.**—W. F. Leslie, receiving teller in the banking-house of Duncan, Sherman & Co., absconded, in June, with \$12,000 in cash belonging to the house. He had been for many years in the service of the firm, and had the entire confidence of his employers. He was arrested in Canada, brought back to this city and committed for trial.

**SUSPENSION.**—Turner Brothers, bankers, who succumbed in June, 1874, in consequence of being overloaded with railroad contracts and paper, and resumed business again, announced, on June 10, their inability to meet their extended paper. They had paid forty per cent of their indebtedness, but were unable to pay another installment of the remaining sixty per cent. now falling due. Individual members of the firm are largely interested in real estate in this city and Brooklyn. They have made several attempts to convert this property into cash, but were not successful. The firm built the large white marble building on Nassau street, between Pine and Cedar streets. They hope to pay all their obligations in the course of time.

**STOCK CERTIFICATES.**—It has been decided by the Committee on Stock Lists, of the Stock Exchange, that engraved signatures on bonds or certificates of stock will not be accepted in future. This decision does not apply to coupons.

**THE BOOKS OF SUBSCRIPTION** to the Capital Stock of the Provident Savings Life Assurance Society of New York, were opened on June 7th, at its office, Western Union Building, Broadway and Dey street. Messrs. William T. Booth, William S. Opdyke, and Sheppard Homans are the Commissioners. This Company proposes to introduce some important changes in the business of Life Insurance—notably by the recognition of the rights of policy-holders to their equities in the reserves of the Company, and by dealing with insurers direct in order to abolish the heavy expense of commissions paid to agents.

**CALIFORNIA.**—The First National Gold Bank, of Stockton, has increased its capital from \$300,000 to \$400,000. Its surplus and undivided profits amount to \$41,000. This bank was opened for business April 1, 1873, under the management of Mr. H. H. Hewlett, Cashier, and has paid twenty dividends of one per cent. per month. Its entire circulation is constantly out.

*San Francisco*.—The Pacific Bank, which recently increased its capital to \$800,000, has now enlarged its surplus fund to \$300,000.

The card of each of the above-mentioned banks will be found in the **BANKER'S DIRECTORY** at end of this number.

**CONNECTICUT**.—Mr. Ezra C. Read, for over thirty years President of the City Bank of New Haven, died in that city on Saturday, June 5th, at the ripe age of 77 years. On the morning of that day he was punctually at his post of duty in the Bank, apparently in usual health, but an attack of heart disease suddenly ended his long and useful career. That he was a successful man in something higher than the mere ability for money-getting is evinced by the respect and esteem in which he was held and by the regret which has followed his decease. From a notice of Mr. Read, in the *New Haven Evening Register*, we take the following:

"Retiring from commercial business in New York city, he sought a congenial residence and quiet life in this city in 1838; but his successful career as a merchant, and his ripe judgment, caused him to be much sought for here in the management and direction of various enterprises, public and private, with which his name has long been identified. By his genial manner and uniform kindness to all, as well as by his well tried probity and uprightness, his advice and counsel were sought by a large circle of friends, whose love for the man was as sincere as their respect for his judgments. For over thirty years he has been President of the City Bank, and has zealously and with unwavering steadiness devoted his time and best efforts to this and the other interests committed to his care; although long in a position to retire from the daily routine of business. \* \* \* \* \* Shunning, by an instinctive modesty and sensitiveness, all publicity and self-seeking, Mr. Read was an exponent of a wise conservatism, cautious, prudent, calm, investigating, and deciding upon a knowledge of facts; always considerate of the rights of others, his judgment, often called for, had great influence as that of a safe guide and wise counsellor. Such qualities are rare, and their development is the result of long and patient culture, self-denial, and a happy combination of natural gifts."

The history of such a career affords another of the many lessons that "patient culture" and "self-denial" are the very watch-words of success. Where these are recognized and acted upon are true prosperity and advancement to be found. Never are they spoken or heeded by the many who hope to find a short road to wealth through the delusive beckonings of Speculation; that *ignis fatuus* of our time, which lures the multitude of its followers only to their ruin.

**FINANCIAL CRITICISM**.—The Boston *Daily News* thus sagely holds forth:

"We note that a Springfield bank has just declared an eight per cent. semi-annual dividend. The bank in question should be condemned by all fair and honest people, as no bank, by any fair and half human management, can earn so much."

We are to understand, then, that "fair and human" banking consists in piling up deposits in a vault for the mere honor of handling them, and that "banking" means lending only the capital of the bank itself. There are numbers of sound institutions throughout the country, whose justly deserved credit accrues to them deposits amounting to more than four times their capital. To lend out two-thirds of these deposits at simple interest, for short time, and on the best security, may promote the general prosperity of the community, while producing eight per cent. semi-annually on the *capital* of the bank; but it is neither "fair" nor "half human!"

Doubtless the Boston critic would designate such "half human" usurers as "Cent-per Cent-aurs."

**BOLD BANK ROBBERY**.—A bold thief succeeded in robbing the Lawrence National Bank, Mass., on June 1st, of \$950 in currency. On the top of the Cashier's counter is a railing, and in an open trunk on the counter, behind the railing, there was about \$10,000 in National bills and greenbacks. The thief entered while the officers were watching a street procession, reached over the counter rail and took a package of bills. He then made an attempt at a

second haul, but the Cashier turned and noticed him, when he made his escape out of the building and was lost in the crowd. This method of robbery is increasing in frequency, and should be vigilantly guarded against at all times.

**AN INEFFECTUAL ATTEMPT** was made on Friday night, May 28th, to rob the National Mechanics' Bank, at Great Barrington, Mass. Several masked burglars entered the house of F. N. Deland, the Cashier, gagged and handcuffed him, and took him to the Bank, where they tried to compel him to open the vault. The safe being protected by a chronometer lock, he could not do so. The robbers then stripped his house of all its valuables and escaped.

**MICHIGAN.**—With a population of 101,255 Detroit has 16 banks and bankers, whose capital and surplus amount to \$4,315,000. They hold deposits of \$10,100,000.

**Lansing.**—The Central Michigan Savings Bank has been organized at Lansing, and opens for business July 1. Stock to the amount of \$25,000 was taken. The officers are: W. S. George, President; Gen. William Humphrey, Vice-President; D. F. Woodcock, Secretary and Treasurer.

**NEW HAMPSHIRE.**—Mr. Charles W. Sargent, Treasurer of the New Hampshire Savings Bank at Concord, committed suicide on June 1st, in the Directors' room of the bank. It is believed that he must have been out of his mind, as the utmost confidence is felt in his integrity. The affairs of the bank are in perfectly sound condition and its accounts correct.

**THE NATIONAL BOARD OF TRADE.**—The convention of this body at Philadelphia passed on its third day the following resolution, by a vote of 31 to 8:

*Resolved*, That the National Board of Trade expresses its sense of satisfaction that Congress has fixed a day for the resumption of specie payments, but that it cannot withhold its expression of concern that no well-considered methods have been adopted for the execution of the measure, and begs of Congress to place, at the earliest period possible, in the hands of the Secretary of the Treasury the means for the execution of the law providing for resumption at the time named.

**A BANK WITHDRAWS FROM BUSINESS.**—The State Bank of Philadelphia, corner of Strawberry and Market streets, has for the present formally withdrawn from business. This course was deemed advisable on account of the plethora of money and the absence of demand for it among the business community. The Bank was chartered in 1871 as the State National Bank, and had its name changed two years ago. Its depositors are all paid, and its franchises are good for twenty years to come. Its capital was \$200,000, of which only fifty per cent. was called in. It has lost less than \$1,000 by bad debts. Its credit and the integrity of its officers are, beyond dispute, good. The building has been leased by a National bank of Camden, N. J.—*Philadelphia Ledger*.

**THE DISTRESS OF SPAIN.**—A Madrid correspondent of the *London Times*, commenting upon the Finance Minister's statement, says:

The consolidated debt of Spain in 1871-2 was only £297,343,000, paying £8,080,000 interest. It is now known to exceed £530,000,000, and, according to the *Imparcial*, it is impossible that Spain could pay more than 1 per cent. interest. But she can, according to Senor Salaverria, pay absolutely nothing; at least "without having recourse to credit operations at an enormous rate of interest, which in a short time doubles the original debt." One should also take into account the floating debt, which in June, 1873, already amounted to £29,960. The Minister considers that, besides its own expenditure, the community has to bear the waste of its resources caused by the exactions of the Carlists, and to feed the war on both sides; he points to the immense amount of national wealth trodden under foot by the contending armies, the paralysis of the productive powers of the country, owing to interrupted communications and to the withdrawal of so many hands from useful employments; and he glances also at the war in Cuba, "equally cruel and not less costly, which is turning the richest colony of the monarchy into a heap of ashes."

THE BANK OF ENGLAND has about 800 clerks. They usually enter at between 18 and 25 years of age. Their salary begins at about \$400 of our currency. From this they advance, until, by the time they are 41 or 44, they get \$1,700 a year.

THE BANK OF MONTREAL.—The annual meeting of shareholders of this Bank took place June 7, and was, as usual, largely attended. The annual report of the Directors showed: Balance at credit of profit and loss account, April 30, 1874, \$584,203.17. Profits for year ending April 30, 1875—after deducting charges of management, and full provision for all bad and doubtful debts, \$1,994,406.58—\$2,578,609.75.

After deducting two dividends of 7 per cent. each, amounting to \$1,673,230.46, a balance is left of \$905,379.29. Of this sum the Board has transferred \$500,000 to Rest account, raising that fund to \$5,500,000, and the remainder of \$405,379.29 is carried forward at the credit of profit and loss. The conservative management of this institution is evinced by the action of the Directors in regard to the amount of dividend. The net profits would have enabled them again to pay a larger rate (16 per cent.), which has prevailed for some time past, but they prudently restricted the distribution to 14 per cent. and hold the balance in reserve.

CITY BANK OF MONTREAL.—This institution held, on June 7, its annual general meeting of stockholders, the President, Sir Francis Hincks, in the chair. The report of the Directory was read, and showed the following results of the year's business: Balance profit and loss, \$3,138.35; profits of head office and branches, \$267,781.92. Deducting expenses and interest, \$152,601.60, and bad and doubtful debts, \$17,010.36, the net profits are \$135,891.24. Two dividends have been declared, amounting to \$117,483.65; the sum of \$20,000 is added to Rest account (now \$130,000), and the balance, \$1,516.44, carried forward to profit and loss.

The Directory recommend that they be empowered to issue new stock, to the extent of \$500,000, whenever expedient to do so, thus increasing the capital stock to \$2,000,000; which recommendation, being embodied in a resolution, was unanimously adopted by the meeting.

This increase is understood to be meant to cover negotiations for the amalgamation with the City Bank of the Royal Canadian Bank of Toronto, which have been recently opened and are now pending.

CANADA.—The Bank of British North America have erected a neat Scottish granite monument to the memory of Mr. Kelty, late manager at Ottawa. This was due to Mr. Kelty's long and faithful services, and proves that all corporations are not without gratitude to their faithful servants.—*Monetary Times*.

EASTERN TOWNSHIPS BANK.—The annual meeting of this bank was held on June 7th, at its head office in Sherbrooke, P. Q. The report of Directors showed that, notwithstanding the great dullness in trade during the past year, the business of the bank had been profitable. Two dividends, of five per cent. each, had been made, and the sum of \$35,000 carried to the reserve fund, which now stands at \$275,000, or 27½ per cent. of the capital. A new building for the head office is under contract. The report recommended an increase of capital to the extent of \$500,000, making the capital \$1,500,000; which, after consideration by the meeting, was put to vote and unanimously passed.

SUSPENSION.—The Jacques Cartier Bank of Montreal suspended payment on June 16th. Its stoppage has occasioned little surprise in banking circles at Montreal, as it was known to be embarrassed through loans to contractors and speculators. There is no reason to fear that the bank will become insolvent, as its resources are ample to meet all engagements. An installment (the eighth) of ten per cent. on the stock has been called, payable July 28. A meeting of the shareholders will be held August 10, to take into consideration the actual state of affairs of the bank, and adopt such measures as may be necessary.

ANNUAL MEETINGS.—The reports of several other Canadian banks have reached us, but so late that their publication is deferred until our August issue.

## CHANGES OF PRESIDENT AND CASHIER.

*(Monthly List; continued from June No., page 995).*

JUNE, 1875.

<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
IOWA. Davenport N. B., Davenport	B. B. Woodward, <i>Pres.</i>	Geo. L. Davenport.
" " " " " "	C. A. Mast, <i>Ass't Cash.</i>	B. B. Woodward.
KAN.. First Nat. Bank, El Dorado..	S. L. Davidson, <i>Cash.</i>	S. L. Shotwell.
MASS. Nat. Bank Commerce, Boston	Geo. W. Harris, <i>Cash.</i>	Caleb H. Warner.
MICH. First Nat. Bank, Greenville..	J. J. Shearer, <i>Pres.</i>	Emery Trufant.
MO... Saline County Bank, Marshall.	Ossimus Hunt, <i>Pres.</i>	W. W. Field.
N. H. Derry N. Bank, Derry Depot	G. C. Currier, <i>Cash.</i>	David Currier.
" Kearsarge Nat. B., Warner..	N. G. Ordway, <i>Pres.</i>	Joshua George.
N. Y.. First National Bank, Oneonta	Marquis L. Keyes, <i>Cash.</i>	S. R. Follett.
OHIO. Second Nat. Bank, Jefferson.	S. T. Fuller, <i>Cash.</i>	Edward R. Lane.
PENN. Manufacturers' N. B., Phila..	John W. Moffley, <i>Pres.</i>	John Jordan, Jr.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS,

Authorized May 20 to June 22, 1875.

<i>No.</i>	<i>Name and Place.</i>	<i>President and Cashier.</i>	<i>Capital.</i>	
			<i>Authorized.</i>	<i>Paid.</i>
2265	Wachusett National Bank, Fitchburg MASS.	Abraham W. Seaver.. Henry L. Jewett.	\$500,000	\$350,000
2266	Union Nat. Gold Bank, Oakland, CAL.	A. C. Henry ..... H. A. Palmer.	100,000	50,000
2267	Union National Bank, Phillips, MAINE.	Darius Howard..... James E. Thompson.	50,000	50,000
2268	Merchants' National Bank, Winona, MINN.	Mark Willson..... N. F. Hilbert.	100,000	50,000
2269	Augusta National Bank, Staunton, VA.	Hugh W. Sheffey... Nathaniel P. Catlett.	74,000	37,000
2270	N. Shoe and Leather B., Auburn, MAINE.	Ara Cushman ..... Marshall C. Percival.	200,000	100,000
2271	Bloombsury National Bank, Bloombsury, N. J.	Henry R. Kennedy.. John F. Woodruff.	75,000	62,000
2272	National Bank of Cortland, Cortland, N. Y.	James S. Squires..... B. B. Woodworth.	100,000	100,000
2273	Security National Bank, Worcester, MASS.	Wm. H. Morse..... Albert H. Waite.	100,000	100,000
2274	Randolph National Bank, West Randolph, Vt.	Wm. H. Dubois..... Royal T. Dubois.	100,000	54,175
2275	Home National Bank, Milford, MASS.	Samuel Walker..... Napoleon B. Johnson.	130,000	113,000
2276	First National Bank, Newport, KY.	William Robson..... Thomas B. Youtsey.	100,000	50,000
2277	Fourth National Bank, Boston, MASS.	Jonas E. Bennett.... Marcus E. Bennett.	200,000	138,000
2278	Duquesne National Bank, Pittsburgh, PA.	William G. Johnson.. A. H. Patterson.	200,000	100,000
2279	Metropolitan National Bank, Pittsburgh, PA.	Charles A. Dravo.... William H. Smith.	200,000	100,000



## NEW BANKS, BANKERS, AND SAVINGS BANKS.

*(Monthly List; continued from June No., page 995.)*

<i>Place and State.</i>	<i>Name of Bank.</i>	<i>N. Y. Correspondent.</i>
CAL. . Oakland . . . . .	Union Nat. Gold Bank . . . . .	Chemical National Bank.
GA. . . Atlanta . . . . .	Atlanta Savings Bank . . . . .	National Park Bank.
ILL. . . Carbondale . . . . .	Farmers' Savings Bank . . . . .	Norton, Slaughter & Co.
" . . . Delavan . . . . .	Hoghton, Baldwin & Co. . . . .	Vermilye & Co.
" . . . Golconda . . . . .	W. P. Sloan & Co. . . . .	Leather Mfrs. National Bank.
" . . . Kane . . . . .	Littlefield, Greene & Co. . . . .	Ninth National Bank.
" . . . Murphysboro . . . . .	Miners' Savings Bank . . . . .	Norton, Slaughter & Co.
" . . . Rankin . . . . .	D. & W. A. Rankin & Co. . . . .	National Park Bank.
" . . . Wheaton . . . . .	Miner, Gary & Webster . . . . .	Continental National Bank.
IND. . . Portland . . . . .	Citizens' Bank . . . . .	Merch. Exch. National Bank.
IOWA. . Dallas Center . . . . .	Bank of Dallas Center . . . . .	First National Bank, Chicago.
" . . . Guthrie . . . . .	L. Manwell, Tracy & Co. . . . .	Kountze Brothers.
KY. . . Newport . . . . .	First National Bank . . . . .	
ME. . . Auburn . . . . .	Nat. Shoe & Leather Bank. . . . .	Shoe & Leath. N. B., Boston.
" . . . Phillips . . . . .	Union National Bank . . . . .	
MASS. . Boston . . . . .	Fourth National Bank . . . . .	
" . . . Fitchburg . . . . .	Wachusett National Bank . . . . .	Nat. B. Redemption, Boston.
" . . . Milford . . . . .	Home National Bank . . . . .	
" . . . Worcester . . . . .	Security National Bank . . . . .	Importers & Traders' N. B.
MICH. . Cheboygan . . . . .	G. D. V. Rollo & Co. . . . .	Hanover National Bank.
" . . . Homer . . . . .	Parks & Pratt . . . . .	Ninth National Bank.
" . . . Lansing . . . . .	Central Mich. State Bank . . . . .	None.
" . . . Mt. Clemens . . . . .	Daniel C. Tilden & Co. . . . .	Continental National Bank.
MINN. . Winona . . . . .	Merchants' National Bank . . . . .	Ninth National Bank.
MO. . . Lamar . . . . .	James H. Neal & Co. . . . .	None.
N. J. . . Bloomsbury . . . . .	Bloomsbury National Bank . . . . .	Importers & Traders' N. B.
N. Y. . . Baldwinsville . . . . .	Baldwinsville State Bank . . . . .	Ninth National Bank.
" . . . Cortland . . . . .	National Bank of Cortland . . . . .	National Park Bank.
" . . . Forrestville . . . . .	Forrestville Bank . . . . .	First National Bank.
OHIO. . Dunkirk . . . . .	Woodruff's Bank . . . . .	Irving National Bank.
PA. . . Pittsburgh . . . . .	Duquesne National Bank . . . . .	
" . . . " . . . . .	Metropolitan National Bank . . . . .	
S. C. . . Marion C. H. . . . .	Bank of Marion . . . . .	Hanover National Bank.
TEXAS . . Gainesville . . . . .	Chambers & Dodge . . . . .	Swenson, Perkins & Co.
" . . . Waco . . . . .	State Central Bank . . . . .	Donnell, Lawson & Co.
VT. . . W. Randolph . . . . .	Randolph National Bank . . . . .	First National Bank, Boston.
VA. . . Staunton . . . . .	Augusta National Bank . . . . .	

## THE PREMIUM ON GOLD AT NEW YORK,

MAY—JUNE, 1875.

<i>1874.</i>	<i>Lowest.</i>	<i>Highest.</i>	<i>1875.</i>	<i>Lowest.</i>	<i>Highest.</i>	<i>1875.</i>	<i>Lowest.</i>	<i>Highest.</i>
April . . . . .	11 $\frac{3}{4}$	14 $\frac{3}{4}$	May 25 . . . . .	16	16 $\frac{1}{4}$	June 9 . . . . .	16 $\frac{1}{4}$	17
May . . . . .	11 $\frac{3}{4}$	13 $\frac{3}{4}$	" 26 . . . . .	15 $\frac{3}{4}$	16 $\frac{1}{4}$	" 10 . . . . .	16 $\frac{1}{4}$	16 $\frac{3}{4}$
June . . . . .	10 $\frac{1}{2}$	12 $\frac{1}{4}$	" 27 . . . . .	16	16 $\frac{1}{4}$	" 11 . . . . .	16 $\frac{3}{4}$	16 $\frac{3}{4}$
July . . . . .	9	10 $\frac{3}{4}$	" 28 . . . . .	16	16 $\frac{1}{4}$	" 12 . . . . .	16 $\frac{3}{4}$	16 $\frac{3}{4}$
August . . . . .	9 $\frac{1}{4}$	10 $\frac{1}{4}$	" 29 . . . . .	16 $\frac{1}{4}$	16 $\frac{1}{4}$	" 14 . . . . .	16 $\frac{1}{4}$	16 $\frac{3}{4}$
September . . . . .	9 $\frac{1}{4}$	10 $\frac{1}{4}$	" 31 . . . . .	Holiday.		" 15 . . . . .	16 $\frac{1}{4}$	16 $\frac{3}{4}$
October . . . . .	9 $\frac{1}{4}$	10 $\frac{3}{4}$	June 1 . . . . .	16 $\frac{1}{4}$	16 $\frac{1}{4}$	" 16 . . . . .	16 $\frac{1}{4}$	17 $\frac{1}{4}$
Nov. . . . .	10	12 $\frac{3}{4}$	" 2 . . . . .	16 $\frac{3}{4}$	16 $\frac{3}{4}$	" 17 . . . . .	17 $\frac{1}{4}$	17 $\frac{1}{4}$
Dec. . . . .	11 $\frac{1}{4}$	12 $\frac{3}{4}$	" 3 . . . . .	16 $\frac{1}{4}$	16 $\frac{3}{4}$	" 18 . . . . .	17 $\frac{1}{4}$	17 $\frac{1}{4}$
	1875.		" 4 . . . . .	17	17 $\frac{1}{4}$	" 19 . . . . .	17 $\frac{1}{4}$	17 $\frac{1}{4}$
April . . . . .	14	15 $\frac{1}{4}$	" 5 . . . . .	16 $\frac{3}{4}$	17 $\frac{1}{4}$	" 21 . . . . .	17 $\frac{1}{4}$	17 $\frac{3}{4}$
May . . . . .	15	16 $\frac{3}{4}$	" 7 . . . . .	16 $\frac{1}{4}$	17	" 22 . . . . .	17 $\frac{3}{4}$	17 $\frac{3}{4}$
			" 8 . . . . .	16 $\frac{1}{4}$	17 $\frac{3}{4}$	" 23 . . . . .	17 $\frac{3}{4}$	17 $\frac{3}{4}$

## DISSOLVED, DISCONTINUED, OR CHANGED.

(*Monthly List, continued from June No., page 996.*)

- GA... Georgia Railroad & Banking Co's Agency, *Atlanta*; disc., succeeded by Atlanta Savings Bank.
- ILL... Wm. Shephard & Co., *Jerseyville*; succeeded by Bowman & Ware.
- " .. Davis & Hogue, *Peoria*; dissolved, succeeded by J. B. Hogue & Co.
- " .. S. S. & J. W. Hall, *Carbondale* and *Murphysboro*; suc. by J. D. Freeman.
- KAN.. Capital Bank, *Topeka*; closing.
- " .. Montgomery County Bank, *Independence*; closing.
- MICH. First Nat. Bank *Mt. Clemens*; closing, suc. by Daniel C. Tilden & Co.
- MO... Allen, Copp & Nisbet, *St. Louis*; now Allen, Copp & Co.
- NEB.. Merchants' Bank, *Lincoln*; in liquidation.
- N. Y. Bank of Cortland, *Cortland*; now National Bank of Cortland.
- " .. C. C. Huggins, *Marion*; succeeded by A. B. Short.
- " .. Bank of Commerce, *Tonawanda*; closed.
- " .. Forestville Banking Co., *Forestville*; succeeded by Forestville Bank.
- PENN. State Bank, *Philadelphia*; withdrawn from business.
- " .. Snyder County Bank, *Selin's Grove*; suspended.
- TEXAS Cooke County Bank, *Gainesville*; succeeded by Chambers & Dodge.
- UTAH Wells, Fargo & Co., *Ogden*; succeeded by J. E. Dooly & Co.
- VT... BuBois & Gay, *West Randolph*; succeeded by Randolph National Bank.
- WIS.. Bank of New Lisbon, *New Lisbon*; failed.

**THE JAY COOKE RAILROAD IRON CASE.**—The Supreme Court of New York has recently decided the remarkable railroad iron case in which were involved a Minnesota Railroad Company, J. G. Moorhead, Jay Cooke & Co., Jay Cooke, McCulloch & Co., Hollandish bankers, the Secretary of the Navy, and various other parties. An Associated Press despatch furnishes this summary:

"Some time since an injunction was granted in the Supreme Court Chamber restraining the New York Guarantee and Indemnity Company from removing a large quantity of iron rails from the store of Woodruff & Robinson, the application being made on behalf of Jay Cooke & Co. and Jay Cooke, McCulloch & Co. The facts of the case were as follows: The St. Paul and Pacific Railroad Company issued mortgages for several millions of dollars on bonds, a large part of which were represented by Lucas Weitjen & Co., German bankers, and with the money raised on the bonds iron rails were bought in Europe and sent to this country. The bonds were under authority of the Directors of the road and one Moorhead; were pledged to Jay Cooke & Co. for advances made on the iron, and by Jay Cooke & Co. were pledged to others, the larger portion to Jay Cooke, McCulloch & Co. The latter firm pledged a portion of the iron coming to them to the Secretary of the Navy to prevent the removal of deposits with them as European navy paymasters, and for the further deposit of £100,000. During the whole of these transactions Moorhead was a partner in both firms. The case was taken to the Supreme Court, General Term, on appeal, and to-day a decision was rendered. The Court held that Moorhead had no right to pledge any of the iron, and that the Cooke firms are chargeable with all Moorhead's knowledge; that therefore they obtained no right to the iron, but that those who are not chargeable with Moorhead's want of authority, and who actually advanced on the faith of the iron, stand in the position of innocent purchasers, and have a right to foreclose on the lien by selling the iron to reimburse themselves; that the New York Guarantee and Indemnity Company stand in that position, and the injunction must be vacated as to them. That the Secretary of the Treasury stands in the same position as to iron pledged to him for an advance, and the injunction would be vacated as to him, if it appeared that the advance had not been repaid. But as to the portion pledged to him for money then due from Cooke, McCulloch & Co., it was not for money advanced, and he stands in no better light than that firm. The Court ordered accordingly.

## NOTES ON THE MONEY MARKET.

NEW YORK, JUNE 24, 1875.

*Exchange on London, at sixty days' sight, 4'87½ a 4'88 in gold.*

The twenty-first call for bonds, issued by the Secretary of the Treasury to-day, has directed the public attention to the Syndicate. That body has not accomplished in the past so much as was expected. But there are good prospects of an improvement in the conditions under which the Syndicate is operating in the foreign markets. The public are becoming anxious at the long delay, for when the funding loan is all negotiated, according to the terms of the laws of 1870 and 1871, more than twenty millions of dollars a year will be saved to the National Treasury. There are two reasons which lead the public to believe that, if proper zeal and energy be used by our European agents, the delay need not be long in the accomplishment of this important retrenchment. First, the accumulations of capital in England are enormous. The aggregate income of the British people was estimated in 1867, by Mr. Dudley Baxter, at 814 millions sterling a year. Of this sum one-fourth at least seeks investment in securities of one sort or other at home or abroad. No securities, of which the four per cents. sell at par, offer advantages surpassing those which our funding loan would secure to the English capital invested in it. Secondly, the recent failures in England, and the depression of some of the staple industries, have repelled new capital from iron and coal, and from other industrial investments. Hence this capital is driven to seek new channels of investment, and new securities, which, like our funding loan, can offer advantages beyond the competing bonds in the market, may be expected to rise in favor.

The money market continues extremely easy. The two principal topics of discussion are the financial troubles in England, which are now supposed to be almost over, and the settlement of the quarrel between the Pennsylvania and Baltimore and Ohio Companies. Neither of these topics has shown much tendency to disturb the money market, though the railroad fight has given some aid to the bear movement in railroad affairs at the Stock Exchange. The rates for money here are 2 to 2½ per cent. for call loans on the best collaterals. For commercial paper the rate is 4 to 5 per cent., and choice names sell at 3½ per cent. In consequence of the large accumulation of idle capital, and the small activity of business, very little paper is offering, and the supply is below the demand. Hence, somewhat less of discrimination is used than formerly. The New York bank movement is very favorable. The legal tenders amount to \$68,900,200, which is a larger amount than has been held by the banks since the panic of 1873. The highest amount previously reported was \$67,282,600. The total reserve is \$22,036,475, above the legal reserve of 25 per cent. Subjoined is the statement of the New York banks for several weeks past:

1875.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Exchanges.
May 31....	281,396,500 ..	11,482,600 ..	63 371,900 ..	19,921,100 ..	232,890,900 ..	480,141,559
June 7....	281,401,200 ..	10,655,200 ..	64,632,300 ..	19,790,800 ..	233,428,100 ..	482,022,124
" 14....	277,837,800 ..	10,808,200 ..	66,822,500 ..	19,666,600 ..	233,168,700 ..	361,122,910
" 21....	275,217,500 ..	11,653,300 ..	68,900,200 ..	19,142,000 ..	234,068,100 ..	438,739,495

The Philadelphia statements are as follows:

1875.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
May 31.....	61,192,366 ...	133 358 ...	18,090,314 ...	53,018,166 ...	10,956,768
June 7.....	62,035,068 ...	153,654 ...	16,945,349 ...	52,659,702 ...	10,982,398
" 14.....	62,021,562 ...	144,386 ...	15,815,264 ...	51,645,412 ...	10,965,154
" 21.....	61,309 039 ...	165,323 ...	15,452,980 ...	50,659,588 ...	10,875,631

The Boston Clearing-House statements compare as follows:

1875.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.
May 31.....	128,139,800 ...	723,800 ...	8,192,800 ...	24,951,300 ...	73,738,600
June 7.....	128,513,400 ...	847,400 ...	8,384,500 ...	24,793,500 ...	75,509,900
" 14.....	129,371,900 ...	725,000 ...	8,765,900 ...	24,618,300 ...	75,061,000

At the Stock Exchange there has been less excitement. Government securities are active, the demand for exportation having been considerable. In State stocks little is doing. Railroad bonds of the best class are active, with a lively investment demand. In railroad shares the business has been chiefly confined to Lake Shore, Union Pacific, and a few speculative descriptions. Among the miscellaneous shares Pacific Mail and Western Union take the lead, the former having just begun a lively advance after its long depression. The following are our usual quotations:

QUOTATIONS:	May 27.	June 2.	June 9.	June 16.	June 23
Gold.....	116 ..	116½ ..	116½ ..	117 ..	117½
U. S. 5-20s, 1867 Coup.	124½ ..	124½ ..	125 ..	125½ ..	125½
U. S. new Fives Coup.	116½ ..	117½ ..	118 ..	118½ ..	118½
West. Union Tel. Co.	74½ ..	75½ ..	75 ..	75½ ..	72½
N. Y. C. & Hudson R.	102½ ..	102½ ..	102½ ..	102½ ..	102
Lake Shore.....	62 ..	60½ ..	61½ ..	64½ ..	60½
Chicago & Rock Island	102½ ..	102½ ..	102½ ..	102½ ..	102½
New Jersey Central...	110 ..	108 ..	108½ ..	110 ..	110
Erie.....	18½ ..	17½ ..	17½ ..	16½ ..	13½
Pacific Mail.....	33½ ..	34½ ..	32½ ..	32½ ..	36½
Union Pacific.....	74½ ..	74½ ..	75 ..	74½ ..	73½
Bills on London.....	4.87a4.87½ ..	4.86½a4.87½ ..	4.87½a4.88 ..	4.87½a4.86 ..	4.87½a4.88
Treasury balances, cur.	\$46,675,388 ..	\$47,597,265 ..	\$48,000,379 ..	\$51,727,233 ..	\$46,522,004
Do. do. gold	53,583,597 ..	49,702,027 ..	45,063,383 ..	46,453,919 ..	53,759,240
Money on call.....	2a3 ..	2a3 ..	2a2½ ..	1½a2 ..	2½a3½
" on discount...	4a6 ..	3½a5½ ..	3½a5½ ..	3½a5½ ..	3½a6½

The right of the Internal Revenue officers to enter National Banks has just been denied by the United States District Court held at Pittsburgh. The case was tried before Judge McCandless. It was an action of debt brought against the cashier of the Monongahela National Bank of Brownsville, Pa., to recover a penalty of \$500 for the refusal of the cashier to permit the Deputy Collector of Internal Revenue to examine the checks on file in said bank. The Court entered judgment for the defendant, holding that the Internal Revenue Collector had no right under section 3177 of the Revised Statutes to exercise the powers claimed by him, and that the statute expressly exempts National Banks from all other visitatorial powers except those of the Comptroller of the Currency and his examiners, and such as are vested in the Courts of Law and Chancery. This decision is in conformity with the views expressed by the *BANKER'S MAGAZINE*, and it appears to give satisfaction to the financial community.

The New York Clearing-House have removed to their commodious building in Nassau street. The new Clearing-Hall was first used last Monday for the daily exchanges. We shall give some account of it next month.

The following dividends are announced for July 1: the Am. Express Co. \$3 per share, the N. Y. & Harlem R. R. Co. 4 per cent., Nat. Trust Co. 4 per cent.; for the 15th July the N. Y. Central & Hudson River R. R. 2 per cent. quarterly, the Rome, Watertown & Ogdensburg R. R. 3 per cent. semi-annual, the Wells, Fargo Express 4 per cent., and the Western Union Telegraph 2 per cent. quarterly; for the 2nd and August the Illinois R. R. Company 4 per cent.

In Foreign Exchange the business has been small. In prices there has been little movement, the market closing firm. The financial troubles in London have not seriously disturbed our market, one house only among the suspended London firms having correspondents here who had drawn bills on them. This house was that of Messrs. Robert Benson & Co., and notice was promptly

given that all such bills would be protected. Gold is firmer on the heavy shipments, which amounted last week to \$6,236,979. The total exports since 1st of January amount to \$46,790,102, which is a larger sum than was ever exported in the same period before. This will be seen from the following table, which shows the exports of specie from the port of New York since 1852.

1875.....	\$46,790,102	1867.....	\$23,079,826	1859.....	\$35,051,471
1874.....	29,007,637	1866.....	45,122,204	1858.....	12,504,795
1873.....	24,918,421	1865.....	17,914,488	1857.....	22,152,148
1872.....	33,485,786	1864.....	28,493,276	1856.....	15,256,619
1871.....	37,308,221	1863.....	20,453,137	1855.....	17,038,455
1870.....	15,192,949	1862.....	24,900,357	1854.....	14,795,895
1869.....	14,147,759	1861.....	3,247,368	1853.....	8,657,067
1868.....	44,547,114	1860.....	20,060,745	1852.....	11,524,621

The following were the coinage operations of the three U. S. Mints during last month:

	<i>Gold.</i>	<i>Silver.</i>
San Francisco.....	\$2,140,000	\$654,000
Philadelphia.....	355,000	640,200
Carson City, Nev.....	329,000	278,000
Total.....	\$2,824,000	\$1,572,200

Most of the silver coin was in trade dollars, which were sent to China. The fall in the price of silver is attracting attention. The quotation in London has receded to 55½ pence per ounce, and the report is that it is going lower. The causes of the decline are not far to seek. Germany, by the law of 1871, determined to adopt a gold standard. Before this project can be executed it is expected to involve the exportation of some 300 million dollars' worth of the demonetized silver. Besides this mass of silver bullion which is to be thrown upon the market by Germany, Belgium and Holland will in all probability follow the example of the German Empire, and demonetize silver except for small token coinage. France also, when she resumes specie payments, is expected to do the same. Each of these expectations as to the throwing of discarded coin on the market is an active cause in depressing the price of silver. Moreover, we may mention the vague report, which has been much exaggerated, of the magnitude of the probable yield of the new mines lately discovered in this country. The very vagueness of these rumors, and the uncertainty of the extent to which they might operate, has added for the moment to their influence, and has made bullion dealers and the public unwilling to hold silver, or to buy it in expectation of a future demand. At the present moment, also, the state of the exchanges is such as to limit very seriously the shipments of silver to China, India and the Orient.

Such are some of the causes which have led to the fall of silver to its present low price in London. The question is, whether it will soon recover, or whether a further fall is to be anticipated. It appears that France last year imported from Germany \$39,000,000 of silver, and England \$11,750,000. France kept most of her imports for the future resumption of specie payments, but England exported to Egypt and the East \$34,200,000. This export is 15 millions more than the usual yearly export of silver to the East. If this small excess of 15 millions of silver, sent to India, China and Egypt, has sufficed to turn the exchanges, the question is, how soon the East will be able to absorb the vast sum of coin which is to be demonetized, and awaits the manipulations of the melter and exporter. Germany has not yet got rid of one-sixth part of the silver she is expected to sell, and the financial community ask with some anxiety where a customer is to be found for the other five-sixths. Silver now, as always, is going from Europe to the Asiatic countries, but the appetite of those countries appears not to be so eager as it was. Hence the factors are by no means certain and clear which must determine how long it will take Germany

and the rest of Europe to dispose of their demonetized silver, or to what price it may sink before it is all sold. Of course there is so much of uncertainty surrounding the subject, that we must receive these inferences with considerable hesitation. The German Government has not yet called in the old coinage, and it is quite uncertain when this will be done. But till then it will be impossible for us to estimate how much silver will have to be exported from Germany, and the amount may fall far short of expectation. As to the question how our exports of silver will be affected, it is argued that they must begin to decline. For some years past they have rapidly increased. During the three years ending June 30th, 1874, they will amount to 80 millions, against 60 millions for the previous three years, 48 millions for the three years ending in 1869, and 18 millions for the three years ending in June, 1866. Whether or no this anticipation of a decline in the export of silver is to be realized, it is certain that a great extension is likely to be made in the employment of silver in the ornamental and useful arts. Moreover, our Government is committed to the substitution of 40 millions of silver coin during the next three years in the place of an equal amount of fractional currency.

The plans of M. Leon Say have been adopted. The French Assembly has voted the bill for paying off the Morgan Loan and refunding its fines into three per cents. The marvellous recuperative energy of the French people is manifested more than ever by the budget of M. Leon Say for 1876. Notwithstanding the unparalleled sacrifices necessitated by the liquidation of the indemnity, the nation has voted new taxes amounting to more than five millions of dollars. M. Say's estimated income is a trifle over \$514,676,500, and the expenditure \$513,859,343, leaving a surplus of about \$817,000. This calculation does not take into account the probable expansion of the national revenue, nor is the yield of indirect taxes quite equal to the estimated returns of 1875.

To this surplus we add \$30,000,000 assigned for the discharge of the capital of debt to the Bank of France. Nor is this highly encouraging condition of financial affairs a momentary prosperity; it is the continuous result of an enlightened policy inaugurated by M. Say's predecessors in office, especially by M. Bodet. In 1872, and the two succeeding years, repayments were made to the Bank of France amounting in the aggregate to \$120,000,000, and according to the plan now proposed by M. Say the whole debt will be liquidated by the end of 1879. In 1876 and 1877 he expects to clear off \$80,000,000, and in the two following years \$60,000,000, with which installments the whole debt of \$310,000,000 will have been paid.

The Foreign Imports at New York, for the month of May, compare as follows:

	1873.		1874.		1875.
Entered for consumption .....	\$ 12,716,218	....	\$ 13,394,964	....	\$ 10,703,394
Entered for warehousing .....	12,930,999	....	12,118,107	....	10,092,919
Free goods .....	8,772,153	....	9,902,831	....	12,453,830
Specie and bullion .....	196,821	....	1,054,630	....	812,905
Total entered at port .....	\$ 34,616,191	....	\$ 36,470,532	....	\$ 34,063,048
Withdrawn from warehouse .....	10,806,601	....	8,251,185	....	7,012,808

The Foreign Imports at New York for eleven months, ending May 31, are subjoined:

	1873.		1874.		1875.
Six months .....	\$ 199,326,050	....	\$ 177,517,854	....	\$ 175,110,736
January .....	37,803,691	....	30,310,679	....	24,831,250
February .....	38,860,517	....	35,439,638	....	36,923,360
March .....	43,440,621	....	42,599,446	....	38,289,583
April .....	37,179,426	....	40,764,927	....	30,037,367
May .....	34,616,191	....	36,470,532	....	34,063,048
Total eleven months .....	\$ 391,226,496	....	\$ 363,103,076	....	\$ 339,255,344
Deduct specie .....	6,658,284	....	18,136,200	....	10,310,978
Total merchandise .....	\$ 384,568,212	....	\$ 344,966,876	....	\$ 328,944,366

The coin received for customs at the port of New York compare as follows:

	1873.	1874.	1875.
Six months.....	\$ 64,393.092 93	\$ 53,535.419 05	\$ 54,213.434 16
January.....	10,763,626 44	10,042,084 05	8,072,846 12
February.....	12,893,637 89	10,186,365 08	11,811,046 95
March.....	12,101,274 64	10,793,792 81	10,323 619 78
April.....	9,826,491 32	9,596.770 71	9,603,087 82
May.....	8,862,528 38	8,369,597 45	7,474,171 61
Total eleven months.....	\$ 118,840,651 60	\$ 102,524,029 15	\$ 101,498,206 44

The above figures are in coin values. The Imports are stated at their foreign cost in gold, freight and duty not included. The Exports are stated chiefly at their value in currency. The specie shipments are entered as counted, but the merchandise is reckoned at its market price in the paper money.

The Exports, exclusive of specie, from New York to Foreign Ports, for eleven months of the fiscal year, compare as follows:

	1873.	1874.	1875.
Six months.....	\$ 130,400,814	\$ 160,757,524	\$ 140,508,524
January.....	20,050,550	23,455,638	19 291,403
February.....	21,139,002	20,725,611	18 111,985
March.....	21,982,209	22,909,218	19,582,162
April.....	25,619,768	23,301,296	19,600,855
May.....	26,253,026	23,791,737	20,614,521
Total eleven months.....	\$ 245,445,369	\$ 274,941,024	\$ 237,709,450
Add specie.....	56,007,431	43,352,085	64,279,406
Total exports.....	\$ 301,452,800	\$ 318,293,109	\$ 301,988,856

About two-thirds of all the Imports into the United States were formerly landed in New York, and only about forty per cent of the total Exports of the country, exclusive of specie, were shipped from hence. But our Exports at this point have relatively increased. Nearly half of the Foreign Exports of the country are sent, at present, from the Port of New York.

The Exports from New York to Foreign Ports, in the month of May, compare as follows:

	1873.	1874.	1875.
Domestic produce.....	\$ 24,754,461	\$ 22,781,958	\$ 19,783,016
Foreign merchandise, free.....	222,853	196,911	167,791
do. dutiable.....	1,275,712	812,868	663,714
Specie and bullion.....	2,913,583	11,865,511	9,355,251
Total exports.....	\$ 29,196,609	\$ 35,657,248	\$ 29,969,772
do. exclusive of specie.....	26,253,026	23,791,737	20,614,521

## DEATHS.

AT NEW HAVEN, Conn., on Saturday, June 5, aged seventy-seven years, EZRA C. READ, President of the CITY BANK OF NEW HAVEN.

AT WARNER, N. H., on Friday, May 28, aged eighty-four years, JOSHUA GEORGE, President of the KEARSARGE NATIONAL BANK.

THE  
**BANKER'S MAGAZINE,**  
AND  
**Statistical Register.**

---

VOL. X. THIRD SERIES. AUGUST, 1875.

No. 2.

---

RECENT MONETARY LEGISLATION AND ITS RESULTS.

As the financial legislation of last summer has now been in operation a year, sufficient time has elapsed to form a competent opinion of it. The Comptroller of the Currency has prepared a statement, which we print on another page, to show the precise effects produced by this legislation on the volume of the monetary circulation. The chief statute in question is the law of 20th June, 1874. This measure was passed in the expectation that it would increase the volume of the bank circulation. It repealed some of the restrictions on the issue of bank-notes in those States or Territories which had less than their proportion. With a view to open the way for these new issues of notes in the West and South, the old issues were to be lessened, and the banks of States having more than their proportion were to be required to surrender a certain part. Another provision was, that any bank might voluntarily deposit greenbacks at Washington, and might surrender an equal sum of its notes, when the bonds deposited at Washington were to be returned to the bank. An easy method was thus devised by which the National banks might get possession of their bonds by giving up their notes. This had never been allowed before. By the law of 1864, one-third of the capital of every National bank was required to be invested in United States bonds, and these bonds were not allowed to be removed from the custody of the Treasurer of the United States, except the bank reduced its capital or dissolved its organization. The object of this old requirement was clear. It was intended to keep open a market for United States bonds, and to build up the National Banking system upon the credit of the Government and of its bonds. Another important provision of the law was its releasing the National banks from the obligation to keep a greenback reserve against their circulation, and its establishment of the five per cent. redemption fund in the Treasury at Washington. Finally,



the law put an end to all fear of contraction by sanctioning Mr. Richardson's currency issues, and fixing the greenback maximum at 382 millions. We ventured, some time ago, to predict that this statute, in its practical operation, would disappoint the inflationists. The result, as exhibited by the Comptroller, has sustained this view. Still there is abundance of potential inflation in the bill, which only awaits an opportunity for future development.

This potential inflation may also be found in the second currency bill passed during the last session of Congress. That measure became a law 14th January, 1875, and is known as the "Sherman Resumption Bill." For our present purpose, it is not necessary to analyze the statute further than to say that it authorized an unlimited issue of bank-notes, prescribing the condition that, for every hundred dollars of such bank-notes emitted, 80 dollars of greenbacks should be withdrawn. This withdrawal was to go on until 82 millions of greenbacks should have been canceled, and the aggregate should be reduced to \$300,000,000.

Such is the currency legislation from which so active an expansion of the circulating medium was expected. As is usual in Wall street, the probable inflation of prices was discounted, and speculation became lively in stocks, in gold and in other sensitive values. Gold rose from 111 in June, 1874, to 117 in March, 1875, and declined again to 112 July 23d. The inflation which was anticipated in the prices of commodities was not permanent, and the Comptroller's letter explains to us some of the causes of the disappointment. First, it shows that the volume of the currency, instead of being expanded, has been diminished. The reader may easily calculate the amount of the contraction. From the data given by the Comptroller, the absolute depletion of the currency, effected under the law of 20th June, amounted on the 1st July to \$20,149,585. To exhibit this, we have compiled from the Comptroller's letter and from other sources the following table, showing the total amount of contraction from this cause during the last four months of the fiscal year:

	<i>April 1.</i>	<i>May 1.</i>	<i>July 1.</i>
National Bank notes contracted by depositing greenbacks .....	\$17,296,037	\$20,794,122	\$25,523,057
Less new National Bank circulation issued since 20th June, 1874....	3,556,600	8,888,337	11,601,892
	<u>\$13,739,437</u>	<u>\$11,905,785</u>	<u>\$13,921,165</u>
Add greenbacks retired, viz., 80 per cent. on new National Bank circulation issued up to date.....	*2,845,280	†3,948,240	‡6,228,420
Absolute contraction effected under law of June 20, 1874.....	\$16,584,717	\$15,854,025	\$20,149,585

\* 80 per cent. on \$3,566,600 new National Bank notes issued up to April 1.

† 80 per cent. on \$4,935,300 new National Bank notes issued up to May 1.

‡ 80 per cent. on \$7,785,525 new National Bank notes issued up to July 1.

The Comptroller has omitted one important effect of the legislation before us. We refer to the work of the Redemption Bureau, which was set in operation a year ago, and has worked

more efficiently than its friends had ventured to expect. The aggregate of the bank-notes redeemable at the Bureau is \$351,869,008. Of this sum the portion redeemed has been \$130,322,945, or five times the average of previous years. What is chiefly important to our present argument, is the official report that most of the notes redeemed during the year were mutilated, and disappeared for a time from circulation, causing contraction of the currency. No less a sum than \$115,109,445 was destroyed for these reasons. Of the whole aggregate of 130 millions which passed through the Redemption Bureau, only \$15,213,500 of the notes were fit for reissue. To supply the place of the mutilated notes, 115 millions of new circulation were printed at the cost of the Government, and were sent, after some delay, to the banks to which they belonged. These institutions would of course reissue the notes as early as possible. But few of our currency theorists provided in their estimates, or made any sufficient allowance beforehand, for the locking up of so heavy an amount of bank-notes in the redemption process. Every one is aware that delays must have been inevitable where so large a mass of currency as 115 millions had to be signed by the President and Cashier of the respective banks. These and other delays have been estimated to be equal in effect to a permanent contraction of several millions of dollars of notes. As to the precise force of this contraction the estimates vary from 10 millions to double that sum. If we fix its amount at about one-tenth of the aggregate redemptions, we shall have thirteen millions as the extent of the contraction due to this cause. Adding these figures to the twenty millions of contraction reported by the Comptroller, we reach the final conclusion that the laws we are examining must have set in operation a force equivalent to the positive contraction of thirty-three millions of dollars.

On this hypothesis we can have little difficulty in accounting for the disappointment expressed by the inflationists with the financial legislation of last session, and with the temporary effect which it appears to have had on certain parts of the financial machinery. We must not, however, forget that there is in these laws a powerful element of inflation. Circumstances have indeed kept it in abeyance and made it slumber, but it is quite capable of being awakened in the future, when circumstances become more favorable and stimulate it to activity.

---

## CLEARING-HOUSE SYSTEM OF THE UNITED STATES.

In addition to the information about the Clearing-House system of the United States which was given in the June number of the *BANKER'S MAGAZINE*, we present some further statistics which have been since communicated to us. First, we have the full report of the transactions of the last seventeen years at the Philadelphia Clearing-House. This institution was organized 22d March, 1858, from which date the table is continued to the present date. The

growth of its transactions illustrates the activity of business and of speculation during the war, under the stimulus of paper money. The figures compare as follows:

AGGREGATE BUSINESS OF THE PHILADELPHIA CLEARING-HOUSE, 1859—1875.

	<i>22d March to 1 Jan.</i>	<i>Total Exchanges.</i>	<i>Cash Balances.</i>	<i>Average daily Exchanges.</i>
March 22 to Jan. 1, 1859.....		\$ 663,707,303 ..	\$ 44,773,131 ..	\$ 2,742,592
One year to Jan. 1, 1860.....		1,026,715,542 ..	64,213,066 ..	3,322,704
" " 1861.....		1,099,817,007 ..	72,395,749 ..	3,559,278
" " 1862.....		771,071,476 ..	69,863,049 ..	2,511,656
" " 1863.....		965,684,302 ..	82,874,087 ..	3,125,191
" " 1864.....		1,285,910,085 ..	118,969,363 ..	4,188,632
" " 1865.....		2,037,729,220 ..	148,180,902 ..	6,594,592
" " 1866.....		1,908,500,018 ..	160,897,767 ..	6,257,377
" " 1867.....		1,765,682,747 ..	156,401,271 ..	5,732,736
" " 1868.....		1,641,019,118 ..	161,608,267 ..	5,327,984
" " 1869.....		1,740,641,117 ..	165,289,731 ..	5,651,464
" " 1870.....		1,856,079,822 ..	160,057,524 ..	6,026,233
" " 1871.....		1,803,941,184 ..	163,481,564 ..	5,856,822
" " 1872.....		2,165,245,830 ..	191,840,918 ..	7,007,268
" " 1873.....		2,004,469,537 ..	194,554,050 ..	6,486,956
" " 1874.....		2,189,368,910 ..	195,428,300 ..	7,154,800
" " 1875.....		1,822,094,262 ..	178,431,679 ..	5,935,095
		<u>\$26,747,677,479</u>	<u>\$2,329,350,418</u>	

Secondly, we have received a report of the Clearing-House at New Orleans. The business of this institution began 1st June, 1872. The number of banks now associated is 16. The method of settlement is by the manager's check on the debtor banks, as at Cincinnati. The aggregate transactions are reported as follows:

AGGREGATE BUSINESS OF THE NEW ORLEANS CLEARING-HOUSE.

<i>Year ending June 1.</i>	<i>Total Exchanges.</i>	<i>Cash Balances.</i>
1873.....	\$ 501,716,239	.... \$58,933,605
1874.....	476,235,876	.... 52,751,420
1875.....	406,829,492	.... 45,293,424
Total.....	\$1,384,781,586	\$156,978,450

The only other statistics which have reached us refer to the Clearing-House in Kansas City, J. Q. Watkins, President; W. H. Winants, Manager. This institution was organized with ten banks in April, 1873. At present it comprises eight banks. The balances are paid by manager's checks on the debtor banks. For 1874 the clearings were \$47,584,929. For the current year they are estimated at 55 millions.

If any other clearing-houses are in operation in the United States besides those which we have placed on record, the officers of such institutions will render a public service by sending us their reports without delay. It is of importance that, in the present condition of the financial system of this country, these and similar statistical facts should receive as wide publicity as possible. So far as reported there are in the United States 14 clearing-houses, comprising 315 banks.

## RESPONSIBILITY OF BANKS FOR SPECIAL DEPOSITS.

For various reasons there has been in the United States during the last ten years a greater tendency than in most other countries to increase the issues of bonds which pass by simple delivery. Hundreds of millions of such bonds are in the hands of the public, the custody of such instruments has become a source of much anxiety, and safe deposit companies have been formed in some of our chief cities, whose business it is to take charge of such property, and to give guarantees for its safe keeping. Before these useful institutions sprang up, the habit extensively prevailed of depositing such valuables in banks. This old custom has continued after the causes have abated to which it owed its origin. Hence, in our great cities, as well as in the country, the vaults of the banks have become receptacles for such property to a very large amount. These bank vaults are accessible to burglars. Several heavy losses have occurred, and the question has serious importance: How much responsibility does a National bank assume when its officers take special deposits, for safe keeping, for the convenience of the public?

We reported last month the decision of the Supreme Court of Vermont in the case of *Wiley v. First National Bank of Brattleboro'*. The Court held that a cashier has no power to bind a National bank, or to make it responsible, on any express contract accompanying the gratuitous acceptance of special deposits of bonds to keep for the accommodation of the depositor, or on any implied contract arising out of such acceptance. Hence, no recovery can be had against the bank if the bonds so deposited are lost or stolen. Mr. Justice Wheeler, in pronouncing the opinion of the Court, said there was no ground for affirming that a National bank was acting within the powers conferred upon it by the law of 1864 while receiving special deposits; for no authority, express or implied, could be found in the law for the taking of such special deposits; nor, indeed, is the receiving of them in any sense necessary to the carrying on of the business of banking. Hence the shareholders had a right to be protected against all responsibility on account of special deposits so received. For, if such deposits be taken by their officers, the acceptance is an act outside of their proper functions, and transcends their legitimate authority. In subscribing for stock in a National bank, a shareholder has a right to know that he is engaging in no other business except that which the Bank Act authorizes, and that the officers will not enter into any other business than that of banking proper. This assurance is absolutely necessary for the stability and progress of the National banks. For it is clear that, if we allow the officers of these institutions to sacrifice the credit of the

bank, and to jeopardize its interests, by engaging in outside business to the advantage of other persons, we thereby allow these officers to perpetrate a fraud for the benefit of other persons. On these and similar general principles, as applied to the interpretation of the Act of 1864, the rulings were made, little reference being made by the Court to cases previously decided.

The question thus set at rest in Vermont is an extremely important one, and the decision is in complete harmony with the obvious principles of common sense and sound banking. During the last ten years a number of disputes about special deposits have been referred to the National Currency Bureau at Washington, where they have for the most part been amicably settled, few of them having resulted in litigation before the Courts. One of the most troublesome of these suits was decided on the 23d March by the New York Court of Appeals. It was the case of the First National Bank of Lyons *v.* the Ocean National Bank of New York. Mr. Justice Allen, in pronouncing the opinion of the Court, held that, although the plaintiff bank had deposited bonds in the vaults of the defendant, "it was not proved that the Directors, or any of them, had ever sanctioned the receipt of special deposits of any kind for safe keeping, or that they had any official knowledge of the deposit of these securities or of any other like deposit." Judge Allen cited with approval the opinion of the Supreme Court of Vermont in the case above referred to, and held that the Cashier, the President, or any other officer of a National bank, could not, by accepting and giving a receipt for special deposits of bonds, make the bank responsible for such bonds in case of loss. Two reasons were given in support of this decision. The first was founded on the principle above discussed, that the taking of special deposits is outside of the proper business of banking, and is not authorized, either by the National Currency Act or by the implicit contract which the shareholders make with one another, when they organize a bank under the Act of 1864.

Secondly, the other reason on which Mr. Justice Allen founded his decision was, the absence of all proof that the Cashier had been specially authorized to take such deposits. Had any such evidence been given, the Court would have been called upon to consider whether such special authority was sufficient to enable the Cashier to make the bank responsible in case a special deposit was received and lost. This interesting question was not decided in the case of First National Bank of Lyons *v.* the Ocean National Bank of New York. It is therefore doubtful whether, and under what conditions, a National bank may assume for its customers the responsibility of the custody of special deposits. If the power to do this is given to the banks organized under the law of 1864, which the New York Court of Appeals declines positively to declare or deny, as the question is not free from difficulty, this power must always be regarded as an incident to the principal business of the bank. Hence, the responsibility is restricted by the rule that "the Cashier or President of a bank is but the execu-

tive agent of the Board of Directors to perform such duties as may be devolved upon him. He is not the Corporation; he cannot take the place of the Governing Board, and make contracts or incur liabilities outside of the ordinary business of the bank without special authority." The presumption is, that the officer has not received any such special authority to bind the bank, and consequently, if no such special authority be proved, there is no ground on which to rest the claim upon the bank in this case.

The question of special deposits came up in a different form in the case of *Boyd v. Third National Bank of Baltimore*. The bank was robbed by burglars of a large amount of securities, among which were bonds of the value of \$26,500, belonging to Wm. A. Boyd & Co., who were customers of the bank. Six years before the robbery Messrs. Boyd & Co. had deposited these bonds under a special agreement, as collateral security for such sums of money as the firm might borrow from time to time in the ordinary course of its business with the bank. In August, 1872, when the bonds were stolen, Boyd owed the bank nothing. This fact was the basis of the defense when Boyd sued for the value of his bonds. The bank contended that the bonds were kept in the safe at the risk of the owners, and subject to their order. The bonds were not held as collateral security, because Boyd owed the bank no debt when they were stolen. The case has attracted considerable attention all over the country. It was first tried in May, 1873, when the jury did not agree. At a subsequent trial in the Circuit Court for Howard County, Maryland, the jury brought in a verdict for the plaintiffs, the Court holding that the contract between Boyd and the bank was a contract of pledge, terminable only when both parties had completed the transactions contemplated in the contract. For this closing up of the contract it was needful that Boyd should not only have paid back the moneys borrowed from the bank, but that the bank should also have returned the collateral securities. Until that was done the bank was a bailee for consideration, and was responsible for using ordinary and reasonable care.

This case differs, as will be seen, from the two previous cases above discussed. There was no question that Boyd's bonds had passed into the possession of the bank, and had never been actually handed back to Boyd. The bank had received the bonds as collateral, and had enjoyed for six years the security they had afforded. Hence the bank had made itself responsible for their return to the owner. But in the two previously cited cases the bonds in dispute had not, as was held, been proved to have passed into the possession of the bank so as to make the corporation responsible for them at all. In the present unsettled state of the law, bankers and their customers should be extremely careful in the stipulations which they make in regard to special deposits.

---

## MERCANTILE FAILURES JANUARY TO JUNE, 1875.

One of the best tests by which to judge of the state of trade is the proportion of failures which occur during the period under review. Messrs. Dun, Barlow & Co. have just given us the means of applying this test to the business of the first six months of this year. They report the aggregate amount of the half-year's disasters at \$74,940,863, and their number at 3,377. The details for the several States compare as follows:—

STATES.	1st three months.		2nd three months.		Total for 6 months.	
	No. of failures.	Amount of liabilities.	No. of failures.	Amount of liabilities.	No. of failures.	Amount of liabilities.
Alabama .....	15	\$366,000	5	\$157,000	20	\$523,000
Arkansas .....	2	27,000	15	184,500	17	211,500
California .....	61	675,971	55	1,831,699	116	2,507,670
Colorado .....	—	—	—	365,102	34	365,102
Connecticut .....	41	297,761	39	616,293	80	914,054
Delaware .....	5	65,000	9	59,500	14	124,500
District of Columbia .....	5	28,824	4	29,276	9	58,100
Florida .....	4	160,000	7	75,000	11	235,000
Georgia .....	40	1,037,300	39	1,918,915	79	2,956,215
Idaho .....	—	—	—	3,000	1	3,000
Illinois .....	96	2,385,018	79	1,503,208	175	3,888,626
Indiana .....	84	1,661,349	39	198,934	123	1,860,283
Iowa .....	44	376,265	34	60,387	78	436,652
Kansas .....	19	83,300	8	134,700	27	218,000
Kentucky .....	38	1,196,000	55	1,200,000	93	2,456,000
Louisiana .....	6	305,831	10	325,158	16	630,989
Maine .....	—	—	60	587,173	60	587,173
Maryland .....	44	780,435	24	317,700	68	1,098,135
Massachusetts .....	113	5,514,000	264	5,339,500	377	10,853,500
Michigan .....	61	511,041	20	238,070	81	749,111
Minnesota .....	38	250,000	41	562,125	79	812,125
Mississippi .....	17	418,450	19	627,300	36	1,045,750
Missouri .....	65	1,199,550	40	1,129,000	105	2,328,550
Nebraska .....	16	120,000	8	26,000	24	146,000
Nevada .....	—	—	16	271,100	16	271,100
New Hampshire .....	—	—	35	353,600	35	353,600
New Jersey .....	11	81,758	15	234,500	26	316,258
New York .....	152	2,694,562	131	3,018,235	283	5,712,797
New York City .....	197	8,490,500	138	6,272,000	335	14,762,500
North Carolina .....	16	123,000	9	140,400	25	263,400
Ohio .....	73	1,187,155	87	1,407,795	160	2,594,950
Oregon .....	—	—	—	202,948	13	202,948
Pennsylvania .....	155	4,927,608	129	3,815,839	284	8,743,445
Rhode Island .....	21	476,394	22	303,200	43	779,594
South Carolina .....	61	989,236	50	1,053,336	111	2,042,572
Tennessee .....	23	143,765	29	181,402	52	325,167
Texas .....	67	660,100	47	493,200	114	1,153,300
Vermont .....	7	31,200	26	243,000	33	274,200
Virginia and W. Virginia .....	47	642,765	56	740,919	103	1,383,684
Wisconsin .....	57	419,384	37	333,335	94	752,719
Total .....	1,733	\$38,326,522	1,701	\$36,614,338	3,377	\$74,940,869

We cannot contrast these figures with those of the first six months in previous years owing to the absence of previous quarterly and half-yearly returns; but dividing by one-half the number of failures for the entire twelve months of previous years, the following will show the comparison:

	<i>Total failures for year.</i>		<i>One-half of same.</i>		<i>Total liabilities for year.</i>		<i>One half of same.</i>
1872.....	4,067	--	2,037	--	\$111,056,000	--	\$60,528,000
1873.....	5,183	--	2,591	--	228,499,000	--	114,248,000
1874.....	5,830	--	2,915	--	155,239,000	--	77,619,000
1875.....	1st 6 mos.	--	3,377	--	1st 6 mos.	--	74,940,869

The circular gives an interesting report of the present state of business at Chicago, Cincinnati, St. Louis, and other great centers of our interior trade, thus offering a trustworthy representation of important economic changes concerning the whole country. It appears that, serious as have been the disasters which have overtaken us, we have suffered less than Great Britain, where the failures since last April have much exceeded those of the United States. In commenting upon these facts, the circular says that: "The general result of business since the panic has been to reduce rather than to augment the capital employed, especially if a rigid valuation of assets at the present realizable prices be made. Prices that now prevail for the product of almost all trades and industries have steadily declined, while the extent of the production in many leading lines, though largely reduced, keeps in advance of the demand, notwithstanding the concession in values. In this respect, as indeed in many other adverse circumstances from which we are now suffering, other countries are passing through a similar experience. Over-production is the feature of the hour all over the world, and depression in trade, lack of profit, and want of confidence, are by no means confined to the United States. While but little comfort can be derived from the condition of things abroad, there is some satisfaction in knowing that countries unblest with paper money, an excessive tariff, and enormous railroad expansion, are showing even more marked signs of distress than have been evinced here. We are enabled to state, from figures in our possession, that the liabilities of parties who have failed in London, Leeds and Manchester, England, alone, within the last ninety days, foot up the enormous amount of over £21,000,000, or over one hundred million dollars, being twenty-five per cent. greater than the liabilities of all the failures that have occurred in the United States for the first six months of the year. In Canada the failures have been especially numerous, amounting in number to over eight hundred, and in liabilities to over twelve millions of dollars."

As to the general state of business, Messrs. Dun, Barlow & Co. say: "The expectations which were indulged at the early part of the year, that the business of the country would revive, have not been fulfilled. Compared with this time twelve months ago there is but little, if any, improvement perceptible, either in the volume or profitableness of trade. The effects of the



panic, or rather of the excesses in business which caused it, have lasted longer than was anticipated immediately after that climax had been reached, and the enduring evil results are becoming more and more apparent. These results, however, assume the character more of depression than of disaster, and though, in the end, the evil may be as fatal in the one case as in the other, the process is slow enough to allow constant hopes of recovery, and to permit the operation of all circumstances that favor it. Thus we have marketed two good crops of agricultural products since the panic, and the promise is now so certain of another abundant yield, that, in ordinary times, it would largely stimulate the purchase of goods in anticipation of the trade sure to follow its realization. Again, we have had nearly two years of efforts in the direction of economy, and how far this has been practiced is best indicated by the restricted sales of merchandise in all quarters. Of course this reduced business in merchandise is to be largely attributed to the limited purchasing power of operatives, and others dependent on interests that have languished during these hard times; but, aside from these, and in sections of country where these specific influences have not prevailed, a similar reduction in business indicates less expenditure for the luxuries of life. But, even with the results of three years' abundant yield of the earth's increase, and with whatever reductions in the expenditure that have been effected, the fact remains that the trade of the country appears to-day to be no nearer a prosperous condition than it was a year or eighteen months ago. We have all along maintained that, because internal indebtedness was not excessive, there could not be numerous failures or great disasters, and the result has justified that expectation. The figures which we present herewith as to the number of casualties in business which have occurred in the past six months show that, notwithstanding a period of depression in all interests, with a winter season of unusual severity and length, and a late and unprofitable spring, the failures show little if any excess in numbers, and, in prominence or significance, are really of less importance than in the average of years.

"While this may be subject for congratulation, there is cause for apprehension that all these months are going by, not only with no money being made therein, but it is feared that the profits of the limited trade done are insufficient to meet the expenses incurred. Judged by the standard of a previous generation, or by the figures that prevail in other countries, the expenses of business and the cost of living, even in the best of times, have been excessive; and, as is always the case with extravagant habits, it has been found most difficult to reduce this class of expenditure in the same ratio that trade has declined. The expectation of improved business, which each successive season has held out, has had its influence in retarding retrenchment in this respect, which now, however, cannot be longer with safety delayed. The reports from all the chief centers of trade indicate much that is encouraging. Whatever an abundant agricultural product will accomplish toward a

restoration of prosperity, will certainly this year be contributed. The purchasing and debt-paying power of the people in vast sections of the country will be improved, while considerable activity must be provoked during the autumn in replenishing the small stocks of merchandise held in all hands. Other things than agricultural success may be needed to restore universal prosperity. Expectation founded upon that basis has already led to disappointment. But whatever else may be needed, it seems hardly possible in the nature of things that a revival can be much longer delayed. Every day must bring us nearer to the commencement of a better state of things. We have all the elements of wealth at hand, abundant and varied resources, unrivaled means of transportation, a large surplus of unemployed capital, a well-trying and successful monetary system, and, above all, a people who have experienced a far worse condition of things, and yet have achieved success. It may be that the one hundredth anniversary of the nation will both come and go before we can chronicle permanent activity and profit in business; but if no worse comes to us in the interval than has befallen us in the six months under review, there will be cause for congratulation. The great lessons of patience and economy, and the practice of such business principles as will equally apply to a poor as well as a prosperous condition of trade, will at least not have been taught in vain."

---

### SAVINGS BANKS AT HOME AND ABROAD.

The new Savings Bank law of France, which we discussed lately, has been rejected. It proposed to allow deposits to be received by the postmasters as well as by the local treasuries of the Government. The second proposition was to increase the maximum of deposits from 1,000 francs to 2,000 francs, that is from \$200 to \$400; including interest, the maximum deposits were not to exceed 2,500 francs. Thirdly, the new bill permitted minors and women to open accounts and to withdraw their deposits when no opposition was made by the parents of the one or the husbands of the other. The last two of these propositions were rejected; the first alone being voted. As the bill could not be passed in its integrity, it was withdrawn by the Government. In the State of New York the maximum of our Savings Bank deposits is fixed at \$5,000; and we have some difficulty in understanding why the French should refuse to increase their maximum from \$200 to \$400. The explanation is that given above. Danger was apprehended if the Government made itself responsible for too large a sum of money belonging to depositors who had the right to draw it out on demand. As to the third point, the possession of deposits by minors was opposed as an encroachment upon paternal authority, and the right of women to deposit was said to be likely to give rise to abuses,—the argument being that if the

deposit were made with the consent of the husband the rights of creditors might be defrauded, and if without his knowledge, the result might be the abstraction of money belonging to the conjugal patrimony. This refusal of the French Assembly to facilitate deposits by minors and married women affords a suggestive instance of the ignorance which prevails in Europe, and especially in France, as to American legislation and American institutions. Had the Versailles Legislature been informed of the progress we have made in this country in Savings Bank legislation, they would never have hesitated to adopt two such inevitable reforms as those of the enlarged maximum and of the deposits of minors and married women.

It is proper to remember, however, that among the French people the facilities of investment are more numerous than here for small sums of money. This part of the financial machinery of France has been brought to a higher pitch of perfection than in any other country; some of the French expedients for "collecting the diffused particles of floating capital," and accumulating them in useful forms, might with advantage be transplanted to this country. With these facilities for investment in good securities, there is also the old habit, so dear to the French, of buying small plots of ground; hence the people are not accustomed to keep their savings long placed at the small rate of interest allowed by the Savings Banks. Moreover, the rentes, or Government securities, are subdivided into *coupures* representing as small a sum as 100 francs. The municipalities and railroad companies issue their bonds in denominations as low as 300 francs on the average. Such bonds naturally attract the savings of the towns and cities, while the rural population, when their savings reach a few hundred francs, are often ambitious to increase the little farm on which stands the family homestead. In 1844 the French Savings Banks held 393 millions of francs (\$78,600,000) belonging to 575,000 depositors; in 1860 the deposits had fallen to 377 million francs (\$75,400,000), while the number of depositors had increased to 1,125,000,—showing that the average amount due to each depositor had decreased by one half. On the 1st of January, 1874, the deposits were 535,096,737 francs, or \$107,019,347, and the depositors had increased to 2,079,196, the number of the banks being 508. If the French Savings Banks hold a smaller proportion of the savings of the people than those of the United States, the disparity is thus shown to be largely due to two causes: first, the Savings Banks in France pay but  $3\frac{1}{2}$  per cent., which is a low rate of interest; and secondly, the small investors, who in other countries put their accumulated savings into the Savings Banks, can gain more interest in France by placing their money in rentes, in good railroad bonds, or in real estate.

In England some changes are likely to be introduced into the management of the savings institutions. In addition to the old savings banks the British Parliament, by a law passed in 1860, established the Post-Office Savings Banks. These institutions are

more popular than the old savings banks. Their depositors have the security of the Government for every penny deposited, while in the old banks the depositor has that security for no more than is actually paid over into the hands of the Government. In many instances clerks and managers of the old savings banks have received deposits, and have failed to pay them over to the National Treasury. In all such cases the depositors were liable to suffer, and much loss has actually been reported from this cause. Hence the Post-Office Savings Banks have made considerable progress although they pay but  $2\frac{1}{2}$  per cent. interest, while the old savings banks pay  $3\frac{1}{4}$  per cent. The total deposits in both kinds of banks were reported in the debate in the House of Commons on 27th May, at 65,673,000 pounds sterling, or \$328,365,000. These banks invest their money in no other securities but consols, which pay about 3.35 per cent. on the capital invested. The deposits of the savings banks throughout Europe amount altogether to about 1,180 millions of dollars. The most prosperous savings institutions are those of England, France, Germany, and Switzerland. The Swiss savings banks hold \$57,600,000, the average deposit per head of the population being \$17, while in England the average is \$9.60; in Austria, \$8.80, and in all Europe, \$5.60. In this country, as is well known, aggregate deposits to a much greater amount find their way into our savings banks, as is shown by the yearly reports issued by the various States.

We have received a summary of the report of the savings banks of New Jersey for the year 1874. The number of these institutions is 40, and their deposits amount to \$31,795,503. Their surplus fund amounts to \$1,353,934. Nearly one-half of the assets are invested in first mortgages on real estate. These mortgages are for \$100 and upwards, and the preference is given to such borrowers as are also depositors.

The investment in mortgages are \$14,758,507. Of the bonds of the various counties and cities of the State, and of New Jersey State stocks, the aggregate amount is \$8,686,250. Of United States bonds the amount is \$4,369,000. The loans on collateral securities are \$3,878,131. The banking buildings are valued at \$1,000,000. It is thus seen that the savings banks of New Jersey are in a thriving condition, although their deposits seem small compared with the amounts reported by the savings banks of New York, Massachusetts, Connecticut, or Rhode Island. The financial aggregates of the New Jersey savings banks compare as follows:—

## LIABILITIES.

Amount of deposits.....	\$31,795,503 31
Amount of surplus.....	1,353,934 22

## INVESTMENTS.

In first bond and mortgages.....	\$14,758,507 00
City, county, and State bonds.....	8,686,250 00
United States bonds.....	4,369,000 00
On collateral security.....	3,878,131 00
In banking buildings, say.....	1,000,000 00

The report of the Massachusetts savings banks just issued gives the following statistics for the year 1874, as compared with the previous year:—

	1874.	1873.
No. of banks.....	179	175
No. of depositors.....	702,099	666,229
Amount of deposits.....	\$217,452,120	\$202,195,343
No. of depositors during the last year.....	645,149	695,327
Amount of deposits during the last year.....	\$57,611,608	\$58,846,558
No. of withdrawals in the last year.....	483,947	454,787
Amount of withdrawals in the last year.....	\$49,696,893	\$50,458,340
Amount of surplus.....	\$3,490,934	\$3,154,593
Loans on mortgages of real estate.....	109,254,540	100,406,767
Loans on personal security.....	37,995,689	35,260,386
Railroad bonds.....	6,486,881	6,098,435
Government bonds.....	18,843,066	17,530,639

A comparison with the savings banks of New York and New England shows the following aggregates. We add also the population and area of each State.

	Banks.	Depositors.	Deposits.	Population.	Area Sq. miles.
New York.....	158	872,498	\$303,935,649	4,600,000	47,000
Massachusetts ..	179	702,099	217,452,120	1,575,000	7,800
Connecticut.....	—	205,510	72,205,624	575,000	4,750
Rhode Island...	—	93,124	46,617,164	245,000	1,306
Maine.....	—	90,398	29,556,498	640,000	35,000
New Hampshire	68	92,501	30,214,585	325,000	9,280
Vermont.....	—	16,200	5,751,002	336,000	10,212
New Jersey.....	40	—	31,795,000	1,016,000	8,320
California .....	20	77,517	62,737,875	675,000	188,981
Switzerland.....	303	—	57,600,000	2,669,147	15,233
Austria.....	—	—	179,475,824	35,904,435	226,406
France.....	508	2,079,196	107,019,347	36,102,921	201,900
Great Britain...	5,334	—	328,365,000	31,817,108	119,924
All Europe.....	—	—	1,180,000,000	300,532,000	—

## THE PHILIPPART PANIC AND THE CREDIT MOBILIER:

The Philippart panic has attracted considerable attention in Europe, and in some of its aspects it is worth notice here. On the 14th of June the *Crédit Mobilier* had a general meeting, at which M. Philippart, Chairman, gave in his resignation, and Baron d'Er-langer, at the head of a Board, consisting of Lord W. Montagu Hay, Messrs. Brillavoine, Galotti, Obermayer, de Montanac, and Edouard Trolong, was intrusted with the future destinies of the Company. It is well to remember that this concern, under the direction of M. Pereire, had one of the most brilliant careers to which such a company can aspire, and that during the Empire its shares were considered the barometer of the Bourse. It was its prosperity, indeed, which brought about its decadence, by obliging it constantly to undertake fresh business in order to hold the commanding position it had reached, and it was these enterprises, annexed to its own concerns, which subjected it to the vicissitudes to which it fell a victim. It made, as may be remembered,

considerable advances to the *Société Immobilière*, which had bought land at Marseilles. That company disposed of the land to an English company. The latter opened a subscription, which was six or seven times covered. Quite a new town was to be built on the spot. The first stone was formally laid, which has remained to this day the sole monument raised by the English company. After seven or eight years, the land is in precisely the same state as then, and there is no telling when it will assume another aspect. This single example will show how causes foreign to its conception led to the decline of the *Crédit Mobilier*, which was founded with a capital of 80,000,000 francs, and had invested in this one operation more than a third of its entire funds.

In an important action, instituted by some of the parties interested, against M. Pereire and other Directors of the *Crédit Mobilier*, judgment was given against the latter, and this judgment, showing as it did the embarrassed position of the company, struck a grievous blow at it. When M. Pereire, after difficulties of all kinds, was forced to retire, M. Haussmann took the management of it. His chief and very just anxiety was to ascertain the assets of the concern as soon as possible, and to get in all the money which it could claim. With this view, a series of lawsuits was instituted by him against M. Pereire. These suits, however, seemed interminable, each of the parties naturally defending himself as well as he could, and the operations of the company being in the meantime wholly suspended. Then it was that M. Philippart intervened. The rapid and dramatic progress of this enterprising Belgian financier, who so suddenly infused new life into French financial operations, will certainly form one day one of the most curious chapters in the financial history of the time. On succeeding to M. Haussmann, M. Philippart adopted a totally different policy. Instead of persevering in the suits against M. Pereire, he accepted a compromise, released the concern from the obstacles caused by those suits, and resolved, by issuing new shares, to double the capital which it possessed, but which was locked up. This idea was a practical and effective one, for the free capital, thus placed at the company's disposal, allowed of the realization of the stagnant capital forming its assets, and of the revival of all the projects in which the *Crédit Mobilier* had engaged, and which could not be set going without additional advances. Unfortunately, however, for M. Philippart and his fortunes, he had made enemies; he had grouped around him a network of financial institutions; he had received into his hands a large number of small railroads, which he wished to consolidate into one large company; he had entered into a contest both with the *Haute Finance* and with the great railway companies. A shareholder in the *Crédit Mobilier* took legal proceedings against the issue of preference shares, and the courts decided in his favor. An action was instituted against M. Philippart himself. Hostile motions were submitted to the Assembly. All the stocks connected with his scheme were attacked *à l'outrance* by his powerful antag-

onists, and a subscription which he opened under a new shape broke down. The political crisis of last month supervened, and hastened the catastrophe. M. Philippart fell, and the attempt to revive the *Crédit Mobilier* fell with him. These were the circumstances under which the meeting was held by the Company. M. Philippart tendered his resignation in language which proved at least the energy of his character, and the courage with which he confronts his position. During this crisis, Baron d'Erlanger came forward, and he has been elected in M. Philippart's place.

It is believed that this report is more sincere than the reports of companies in distress usually are, for the item of the *Société Immobilière*, estimated by M. Philippart at 60,000,000 francs, figures for only 31,000,000 francs. Even the latter sum is given merely as the amount of the debt, and the report does not apparently represent that this is its real value. The report, moreover, is simply a statement of accounts. It does not speak of the plans of the new Board. It does not even seek to disguise the depreciation of the 500-franc shares of the *Crédit Mobilier*, which have fallen as low as 193 francs, but have since recovered.

According to this statement the assets of the *Crédit Mobilier*, which on the 2d of March, when M. Philippart took the direction, amounted to \$86,295,000 francs, were on the 11th of June only 77,092,446 francs, showing a loss of 9,202,554 francs. The diminution in the assets is in a large measure caused by the depreciation in the value of the securities which represent the capital, and by forced sales of assets, at a low price, to obtain resources for urgent requirements. The recent recovery in the value of the assets will, of course, reduce the amount of these losses of the Company. So far as may be judged from the brief entries in the statement, the Philippart administration was not responsible for the whole of this deficit. A sum of 2,835,000 francs is set down as resulting from the sale of 15,800 shares of the Franco-Hollandaise Bank for the end of January, and which shares had to be bought in after the 2d of March. In the contest between the direction of Baron Haussmann and the party which wished to bring in M. Philippart, the *Crédit Mobilier* sold largely Franco-Hollandaise bank shares as a means of damaging the credit of M. Philippart, he being chiefly identified with that bank. The purchases were carried over at each settlement, and the shares were only brought in after the accession of the new Board, which had to bear the loss. The Company is now indebted to the Bank of Belgium for the sum of 5,600,000 francs, and to Baron Erlanger for 5,000,000 francs.

---

## THE BANKING SYSTEM OF SWITZERLAND.

BY MAURICE BLOCK.\*

Switzerland is about to reform its banking laws. The change is proposed with a view to correct the extraordinary increase of the bank-note circulation. For the last six or seven years Switzerland has been frequently referred to as a model of free banking. The advocates of freedom of bank issues declared that the more banks of issue existed the more checks were created to prevent excessive issues, and that the multiplicity of banks is one of the means of restricting the volume of the circulation. The credit of each bank, it was said, is never sufficiently known to the public to induce them to accept freely too much paper. The volume of the Swiss circulation was indeed quite small for many years, but in 1870 it reached 18 millions of francs. In 1873 it passed 47 millions, and on the 15th of October it was almost 72 millions. The multiplication of bills was attended by a disappearance of gold. But in Switzerland the people were more disposed to ascribe the increase of the paper to the disappearance of the gold than to think that the efflux of the paper drove away the gold. Notes were issued, it was supposed, because gold was disappearing. It was the popular opinion that the increase of the bank circulation and the scarcity of gold were two results of those general causes which are deranging the financial movements of the whole civilized world. The subject was referred to a Commission, which has just made its report. First, the report asks whether there is any need to set up, as Germany has done, a great central bank to regulate the note circulation. This question is answered in the negative; several reasons are given. Switzerland, the Commissioners say, would encounter constitutional difficulties in any attempt to create such a centralized banking power. Moreover, in Switzerland there is not, as in Germany, an institution like the Bank of Berlin, all ready to be turned over to and transformed into the center of the banking institution system.

Another feature they do, however, borrow from Germany. It is that of limiting the issues. They even adopt the new German word "contingenter," which was invented on the banks of the Spree.

\* This distinguished French economist needs no introduction to the American banking community. Like M. Wolowski, he is not a native of France. He was born at Berlin Feb. 18, 1816, and being taken to France when five years old, he became naturalized there. In 1843 he was appointed to an office in the Bureau of General Statistics. Later he entered the offices of the Ministry of Agriculture, of Commerce, and of Public Works, of which he became in 1853 one of the chief officers. In 1861 he resigned office, and devoted himself to literature. He has published several works on statistics and political economy. His chief works are *Les Théoriciens du Socialisme en Allemagne*, 1879; *Les Finances de France depuis 1815*, published in 1863; *Dictionnaire de l'Administration*, 1862; *Dictionnaire Général de la Politique*. One of his earliest works was his essay, *Des Charges de l'Agriculture dans les divers pays de l'Europe*. Paris, 1850. This work was crowned by the Institute. In 1861 the Academy of Sciences awarded M. Maurice Block the Monthyon prize for statistics.



The maximum proposed is double, and implies a contradiction which the legislator must try to solve and harmonize. Article 4 says: "No bank shall issue notes to exceed twice its capital. The notes in circulation shall never exceed 50 francs per head of the population of Switzerland." Now every corporate bank, with a capital of at least one million francs, shall be authorized to issue notes. Switzerland has already 28 banks, and others may well be expected to be organized. But as the population is but 2,600,000, the maximum of the circulation cannot reach 130 million francs. It follows that the capital employed in banking cannot usefully exceed 65 million francs. Still, an issue of notes amounting to twice the capital is not very considerable, and it is below the proportion allowed in Germany, which is thrice the capital.

On the other hand, the law requires that the cash reserve should always be kept equal to one-third of the circulation; and the remaining two-thirds are to be covered by good commercial notes discounted, or by bills of exchange, having two names or one name and a hypothecated collateral. The paper discounted is not to be of longer date than four months. The cash reserve being thus appropriated, together with the bills receivable, to guarantee the bank-notes, the note-holder has a prior claim, and is preferred before the other creditors of the bank. This privilege does not exist in Germany. Switzerland has imposed a tax on bank-notes. This tax is not assessed upon the actual amount of the outstanding circulation, but upon the aggregate of notes which each bank declares its intention of issuing. Thus the tax on bank-notes is not, as in Germany, a means of restricting the circulation. It is rather, as in France and England, a sort of impost on the business of the bank. The Swiss Commissioners report favorably of this tax, because they think it will induce the banks to be moderate in their declarations, and will thus restrict the issues of notes within moderate bounds. They also defend the tax as a simple right of control on the part of the Government over the banks.

An interesting feature of the Swiss banks seems to have been borrowed from the American system. All the notes of every Swiss bank are uniform in size, form and color. But the banks are not obliged, as in the United States, to deposit Government bonds as security for their circulation. It is also expressly declared that the Government does not intend to guarantee the bank-notes.

Among the miscellaneous provisions of the proposed law are the following: Every bank is to receive at par the notes of all other banks. Another provision requires every bank to redeem the notes of all the other banks. Article 14, which imposes this singular obligation, adds the condition, "so far as its coin reserve will allow," but it continues as follows: "If the condition of its coin reserve is such as not to admit of redemption demand, the bank may ask for a delay of three days to obtain coin from the bank that issued the note in question, and the former bank is responsible to the issuing bank for the prompt transmission of the demand when

the three days have expired. The person presenting it has the right to protest the note, and at his request the bank to which is presented the note is obliged to prosecute the suit against the issuing bank." This arrangement seems to us to go too far. It is true that another article of the law, the 16th, establishes a Clearing-House, but it is always dangerous policy to push too far the consolidation of the banks.

The new law confers on the Government the right to examine\* the banks, and the federal council, which is the supreme executive power, has the right to send experts to examine the situation of the banks. The banks are also to publish a weekly statement of their position. The council also regulates the note issues, and is able, if it pleases, to take away the right of issue from any bank which does not fulfill its engagements.

---

### THE "HANSE TOWNS."

"Commerce and literature," it has been said, "have only in modern times made a league with each other. Formerly, for many centuries they were hostile. Hence Phœnicia, Carthage, and the other great commercial nations of antiquity, have left so little record of their grandeur and power, of their civilization and progress. They perished, as commercial nations without a literature must inevitably perish. The *monumentum aere perennius* which the Muses alone can confer, is absent, and their name and fame have almost vanished from the earth." A modern illustration of this principle may be found in the Hanse Towns, whose commercial prestige was so conspicuous in the Middle Ages. During several centuries, while the feudal system was giving place to the national institutions of modern Europe, the Hanseatic League was the custodian and foster-mother of the infant commerce of Western and Central Europe with the Mediterranean and the Orient. With the discovery of the new route by sea to the East around the Cape of Good Hope, the Hanseatic organization of commercial business was superseded or shaken, and a new spirit of enterprise was let loose, which undermined the old fabric of commercial supremacy. The Hanseatic League fell into gradual decay as its younger rivals grew up around it, just as in our day we often see an old, conservative firm lose its business and gradually succumb before the new facilities and the young energy of its competitors. When the Hanseatic League was first organized in the confusion and excitement of political and social life which followed the breaking up of the Roman Empire, bands of brigands and hosts of pirates rendered commerce unsafe by land and sea. If trade were to be carried on at all, a powerful and widely diffused organization was

\* It will be seen by our readers that somewhat more use has been made of the American Bank Law by the Swiss Commissioners than M. Block seems to have been informed of. In fact, almost every provision of the Swiss Commissioners is taken from our law except one or two dubious arrangements about the circulation. Upon these M. Block offers some strictures in the spirit of which we fully coincide.

absolutely necessary. It is not at all improbable that the Confederation of the Hanse Towns was the successor of several previous organizations which necessity had led the great cities of Europe to establish for the protection of that commerce to which they owed their prosperity and wealth. These cities were, many of them, of very ancient origin.

Henry the First, the father of the liberator of Italian Communes, encouraged the tendency which he found growing up to build new cities and to enlarge the existing cities, some of which were rising upon the very sites of Roman colonies or upon imperial domains. He and his successors, and, later, the Kings of France and England, found cities to be the most effectual counterpoise of the aristocracy, the most fertile source of public revenue, and a new means of public defense. By commercial relations with the cities of Italy, by emulation of Italian industry and free institutions, the German cities soon reached a high degree of prosperity and civilization. Municipal life gave birth to a spirit of progress in the arts, and to the desire of becoming distinguished by wealth and enterprise, at the same time that material well-being gave origin to a desire for political ameliorations.

The maritime cities of Northern Germany, strong as they were with their rising liberty and their flourishing industry, were soon obliged to conclude a close defensive alliance to protect themselves from brigands, who disturbed their trade by land and by sea. With this view, Hamburg and Lübeck formed in 1241 a league, which, in the course of that century, united all the cities of any importance upon the coast of the Northern and Baltic Seas, upon the shores of the Oder, the Elbe, the Weser, and the Rhine, to the number of eighty-five. That confederation was called "The Hanse," which, in low German, means a union.

The Hanse Towns soon discovered the advantages to be derived by private industry from their association, and were not slow in conceiving and developing a commercial policy from which sprang a prosperity without previous example. Convinced that, in acquiring and preserving a great maritime trade, a powerful navy was necessary for its protection, the Hanseatic cities provided for this exigency; and, knowing that the maritime power of a country rises and falls with its trade, navigation and fisheries, they determined that their goods should be transported only in their own vessels. They established many great maritime fisheries. The Navigation Act of England was modeled upon that of the Hanse Towns, which had for its model that of Venice. England only followed those who preceded her in maritime supremacy. Even at the period of the Long Parliament, the proposition of an Act of Navigation was anything but new. In his appreciation of that measure, Adam Smith ignores the fact that, centuries before, and at different times, attempts had been made to introduce similar restrictions. Proposed by the Parliament of 1461, they were rejected by Henry VI.; proposed by James I., they were rejected by the Parliament of 1622. Long previous to these two attempts,

in 1831, they had actually been applied by Richard II., but having soon ceased to be operative, they were forgotten. The country was evidently not yet ripe for such a measure. Acts of Navigation, as well as the protection of industry by import duties, are so material to nations having a presentiment of future commercial and industrial grandeur, that the United States were no sooner emancipated than they adopted maritime restrictions, at the instance of James Madison. This was done, too, as will be seen in a following chapter, with infinitely greater success than in England a century and a half before.

The Northern princes, to whom a trade with the Hanse Towns promised great advantages in the opportunity it afforded, not only of selling the surplus productions of their soil, receiving in exchange manufactured articles very superior to their own, but of filling their treasuries from the avails of import and export duties, and of inuring to habits of labor people previously addicted to indolence, debauchery and dissensions, looked upon it as a fortunate circumstance when the Hanse Towns established their commercial houses among them, and, to encourage this, they granted them many privileges and important favors. The Kings of England distinguished themselves particularly in this respect.

The trade of England had for many years been carried on altogether by foreigners, chiefly the inhabitants of the Hanse Towns, or Easterlings, as they were called; and, in order to encourage those merchants to settle in England, they had been erected into a corporation by Henry III., had obtained a patent, were endowed with privileges, and were exempted from several heavy duties paid by other aliens. So ignorant were the English of commerce that this company, usually denominated the Merchants of the Steelyard, engrossed, even down to the reign of Edward, almost the whole foreign trade of the kingdom, and, as they naturally employed the shipping of their own country, the navigation of England was also in a very languishing condition.

Long before that period, German merchants, and especially those of Cologne, had occasionally dealt with England; but in 1250 they established in London, upon the invitation of the King, the renowned commercial association referred to by Hume as the Steelyard, which at first exercised so favorable an influence upon the development, culture and industry of England, but which afterward excited such an intense national jealousy, and which, in the 375 years that elapsed from its rise to its dissolution, furnished occasion for such long and acrimonious debates.

England was then to the Hanse Towns what Poland was later to Holland, and what Germany was to England; she supplied them with wool, tin, skins, butter, and other productions of her manufactured articles. The raw materials, which the merchants of the League purchased in England and in other Northern kingdoms, were transported by them to their colony of Bruges, founded in 1252, and exchanged for clothes and other manufactured goods of Belgium, and for various products of the East

coming from Italy, which they distributed among the countries situated around the North Sea. A third agency, established in 1272 at Novogorod, in Russia, dealt in furs, flax, hemp, and other raw materials, in exchange for manufactured products. A fourth agency, established in 1278 at Bergen, in Norway, was chiefly devoted to fisheries and to a trade in oil and fish.

The experience of all countries and all times teaches that, so long as a nation is in a state of barbarism, an entirely free trade, which carries off the products of its hunting grounds, its pastures, its forests, and its fields—in a word, its raw materials of every kind—and brings in return better clothing and furniture, as well as more perfect tools, with a supply of the grand instrument of exchange, the precious metals, confers immense advantages. A people in that condition may well rejoice in free trade, so long as it advances them in the career of civilization. But experience teaches also that, in proportion as such a nation makes progress in industry and civilization, it must experience a change in its internal economy, which will show that free trade is no longer its advantage. It was so with the trade between England and the Hanseatic cities. A century had not elapsed since the foundation of the Steelyard agency, when it occurred to Edward III. that possibly a wiser and more useful policy might be pursued than to export raw materials and to import cloths. He began by offering inducements of every kind to the manufacturers of wool in Flanders to attract them to England; and, having succeeded with a goodly number, he prohibited the importation of foreign cloths.

The wise measures of that sovereign were marvelously promoted by the foolish policy of other rulers, a thing not uncommon in the history of industry. Whilst the ancient masters of Flanders and Brabant had exerted themselves to increase and reward industry around them, the new Counts seemed to make it their study to excite the distrust and enmity of tradesmen and manufacturers, and to drive them out of their dominions. After 1413, the woollen industry of England made such progress that Hume could say of that period: "A great jealousy then existed with regard to foreign merchants; they had to encounter a multitude of difficulties; for instance, they were obliged, with the money they obtained from their imports, to buy domestic productions." Under Edward IV., this jealousy increased to such a degree that the importations of foreign cloths and many other articles were entirely prohibited. Though the King was afterward compelled by the Hanse Towns to revoke that prohibition, and to restore their ancient privileges, English industry seems to have been vastly advanced by that measure; for Hume, referring to the reign of Henry VII., which was subsequent to that of Edward IV. by half a century, says: "The increase of the arts, more effectually than all the severities of law, put an end to this pernicious practice. The nobility, instead of vying with each other in the number and boldness of their retainers, acquired by degrees a more civilized species of emulation, and endeavored to excel in

the splendor and elegance of their equipage, houses and stables; the common people, no longer maintained in vicious idleness by their superiors, were obliged to learn some calling or industry, and they thus became useful both to themselves and to others. Laws were made against the exportation of money, plate, or bullion,—a precaution which serves no other purpose than to cause more to be exported. But so far was the anxiety on this head carried, that merchants alien, who imported commodities into the kingdom, were obliged to invest in English commodities all the money acquired by their sales, in order to prevent their conveying it away in a clandestine manner.”

In the reign of Henry VIII., the number of foreign manufacturers had become so great in London as visibly to enhance the value of food, thereby furnishing a manifest proof of the advantages which the agriculture of a country derives from the development of domestic and manufacturing industry. The King, however, mistaking the causes and the consequences of this fact, gave ear to unfounded complaints of English manufacturers against foreign manufacturers, more skillful, laborious, and economical than themselves, and ordered fifteen thousand Belgians to be expelled, because they increased the cost of living, and exposed the country to the danger of a famine. To destroy the evil to the very root, sumptuary laws, regulations for clothing, tariffs fixing the price of food and the rates of wages, were immediately issued and enforced. This policy was fully approved by the Hanse Towns, and their ships of war were placed at the disposal of the King, with the same promptitude they had shown when previous kings of England had favored them. England in our day shows the same favor, and for the same reason, to the kings of Portugal. During all that reign the commerce of the Hanse Towns with England continued to be very active. They had ships and money, and knew how, as do the English of our time, to employ them skillfully in acquiring influence over nations and governments not shrewd enough to comprehend their own interests; their arguments, however, rested upon different grounds. The Hanseatic merchants claimed their privilege of furnishing nations with manufactured articles, in virtue of treaties and immemorial usage.

In the reign of Edward VI. the Privy Council sought and found pretenses for the withdrawal of the privileges granted to the merchants of the Steelyard. “Several remonstrances were made against this innovation by Lübeck, Hamburg, and other Hanse Towns; but the Privy Council persevered in their resolution, and the good effects of it soon became visible to the nation. The English merchants, by their very situation as natives, had advantages above foreigners in the purchase of cloth, wool, and other commodities, though these advantages had not hitherto been sufficient to rouse their industry, or engage them to become rivals to this opulent company; but when aliens' duty was also imposed on all foreigners indiscriminately, the English were tempted to enter into commerce; and a spirit of industry began to appear in

the kingdom." After having been for several years wholly excluded from a market of which they had enjoyed, for three centuries, almost exclusive possession, they were reinstated by Queen Mary in their ancient privileges, at the instance of the Emperor of Germany.

But this time their joy was of a short duration. "With the view not only of preserving, but of increasing these privileges, they complained loudly at the beginning of the reign of Elizabeth of the treatment they had met under the reigns of Edward and Mary. The Queen replied, very adroitly, that it was not in her power to make changes, but that she would cheerfully leave the Hanse merchants in possession of all the privileges and immunities then enjoyed by them. A short time after, their commerce was again suspended, to the great profit of the English merchants, who had then an opportunity of showing of what they were capable. The English merchants soon acquired the whole foreign commerce, and their industrial efforts were crowned with complete success. They separated into two classes, one taking the home trade, the others seeking their fortune abroad, by exporting cloths and other English productions. This success excited the envy of the Hanseatics to such a point that they spared no pains to discredit the English merchants. They even obtained an imperial edict which interdicted to the English commerce with the interior of Germany, in reprisal for which measure the Queen ordered sixty of the Hanseatic vessels, engaged in smuggling in concert with the Spaniards, to be seized. Her intention was at first to bring the Hanseatic merchants to an amicable arrangement. But on the receipt of the news that a Diet of Hanse merchants was then in session at Lübeck, deliberating on the means of placing obstacles in the way of English foreign commerce, she confiscated these ships with their cargoes; two, however, were released and sent to Lübeck with this message, that she had the most profound contempt for the Hanseatic League, its deliberations, and its measures."

Such was the treatment received from Elizabeth by those from whom her father and many other kings of England had borrowed ships of war for the defense of their country, merchants to whom all the Protestants of Europe had paid court, whose vassals for several centuries were the kings of Denmark and Sweden, who had according to their fancy disposed of thrones and powers, who had colonized and civilized all the south-eastern coasts of the Baltic, and banished piracy from all the seas of Europe; who, at a period not very remote, had drawn the sword to compel a king of England to respect the privileges of his subjects; who more than once had the crowns of English kings in pledge; and who had carried their insolence and cruelty toward England so far as to drown a hundred English fishermen for venturing too near their fisheries. The Hanseatic cities were still powerful enough to avenge themselves upon the Queen; but their ancient courage, their noble enterprise, the powers they derived from liberty and

their League—all that had vanished. They were becoming constantly more enfeebled, until at last, in 1630, they dissolved formally their League, after having begged at the door of every European power the privileges of free trade, and having met in every instance an humiliating refusal.

Various external causes contributed to their fall. Denmark and Sweden, meaning to avenge their long subjection to the League, placed every possible obstruction in the way of the commerce of the Hanse Towns. The Czars of Russia had granted privileges to an English Company. The Order of Knights, their secular allies, and the very children of the League, were in a state of decline and fast tending to their dissolution. The Dutch and the English had thrust them out of their markets, and supplanted their influence in the courts of Europe. The discovery of the route to the East by the Cape of Good Hope was also a blow to their commercial supremacy. The Hanse Towns, which, in the days of their power and prosperity, almost forgot that they belonged to the Empire of Germany, in their present distress applied to the Diet, and urged that the English yearly exported 200,000 pieces of cloth, a large portion of which went to Germany, and that the only means of recovering their ancient privileges in England was prohibition of English cloths by Germany. Anderson informs us that a resolution to this effect was offered in the Diet and perhaps agreed to; but he adds that Gilpin, the English Ambassador to the German Diet, succeeded in preventing its being enforced. One hundred and fifty years after the official dissolution of the Hanseatic League, the cities which formed it had lost all recollection of their past grandeur. Justus Moser somewhere remarks that if he should describe to the merchants of these cities the power and grandeur of their ancestors, they would hardly believe it. Hamburg, formerly the terror of pirates in every sea, celebrated throughout all Christendom by the services it had rendered in the destruction of the corsairs, had fallen so low as to be compelled to purchase from Algiers by a yearly tribute the safety of her own ships; for the scepter of the seas having passed to the hands of the Dutch, another policy prevailed in regard to piracy. When the Hanse Towns were at the height of their power, they treated pirates as the enemies of the civilized world, and gave themselves earnestly to the work of their extermination. The Dutch, on the contrary, looked upon the corsairs of Algiers as important co-operators, by whose aid the foreign commerce of their rivals in time of peace was paralyzed until it gradually fell into their hands. Referring to an observation of De Witte upon that policy, Anderson merely remarks, *fas est et ab hoste doceri*, a monition which, though brief, has enjoyed a long acquiescence on the part of England, where this doctrine was fully appreciated; for, to the shame of Christendom, England tolerated the piracies of the infamous Algerine corsairs down to our time. The signal merit of destroying them had been reserved for France.

The commerce of the Hanseatic cities was not a national one;



it was neither upon an equilibrium, nor upon a complete development of the productive power of the country, nor was it sustained by adequate political power. The bonds which united the members of the Confederation were too weak; their desire of separate preponderance and private advantage was so strong as to banish federal patriotism, which alone could excite a national feeling and place the interests of the entire League above those of the respective cities. Hence, jealousy and often treachery; thus Cologne took advantage of the enmity of England to the League, and Hamburg tried to make profit out of a quarrel between Denmark and Lübeck.

The commerce of the Hanse Towns was not founded upon production and consumption, nor upon the agricultural and manufacturing industry of the countries to which they belonged. They had neglected to develop the agriculture of their own territories, although, by their commerce, they gave a great impulse to that of foreign countries. They found it more convenient to buy manufactured articles in Belgium than to establish manufactures of their own; they promoted agriculture in Poland, they encouraged the rearing of sheep in England, the production of iron in Sweden, and they stimulated general industry in Belgium. They purchased goods where they could purchase them cheapest. But when they were excluded from the countries where they bought and where they sold, their agriculture and manufactures had not sufficient development to absorb and employ the overplus of their commercial capital. This capital emigrated to Holland and England, where it increased the industry, the wealth, and the power of their enemies. In this fact we have clear proof that private industry, left to itself, does not always select the true path to national prosperity and power, nor even to its own eventual success.

In their exclusive pursuit of material wealth those cities completely lost sight of their political interests. When their power was at its height, they seemed scarcely to belong to Imperial Germany. That narrow-minded, selfish, and haughty commonalty was flattered by the attentions of princes, kings, emperors, and by their acknowledged position as sovereigns of the seas. How easy had it been for the League, at the time of its maritime supremacy, to form in concert with the confederate cities of Upper Germany a powerful House of Commons, as a counterpoise to the aristocracy of the Empire; to establish, by the aid of the emperors, a national unity; to combine in one nation all the sea-coast from Dunkirk to Riga, and thus to seize and secure for Germany a supremacy in industry, in commerce, and in navigation. But when the scepter of the seas fell from the hands of the League, it did not retain in the German Diet sufficient influence to have its commerce regarded as a national interest. On the other hand, the aristocracy applied themselves earnestly to the work of its humiliation. The cities of the interior fell one by one into the hands of the absolute monarchs, and those on the coast thus lost their trade with the in-

terior. These mistakes were all avoided in England. There, external commerce and navigation laid the foundation for home agriculture and manufacturing industry; there the interior trade increased concurrently with the external commerce, and individual liberty increased without prejudice to national unity and power; there were consolidated and united in the most happy manner the interests of the crown, of the aristocracy, and of the commons.

It is to be regretted that the Hanse Towns have found no historian able or willing to disperse the clouds of obscurity which have gathered over so much of their real history. Enough is known about them, however, to show that this beneficent league had important functions to fulfill during the transitional period which intervened between the destruction of the unity in which the Roman Empire had bound Europe, and the building up of modern nationalities, whose complex fabric of civilization, of social and political life, had its foundations laid in the darkness of the Middle Ages, and whose progress has been so slow even to our time. If we could trace through several centuries the actual doings of an organization so beneficent, so effective, and so permanent as the Hanseatic League, the labors of many great and good men would no doubt be honorably recorded whose very names are lost in oblivion, and await the discovery of some future explorer who shall do them justice, and shall make known to the modern world how well these old organizers of capital and labor did their work, what mistakes they made, and how our own builders in later times may avoid similar mistakes and accomplish equal or greater good.

---

## ENGLISH BANKING.

BY W. D. HENDERSON.

*[From Macmillan's Magazine for June.]*

It is characteristic of the way in which great questions are raised in England, that an inquiry into the working of our monetary laws should be made, not because there have been great changes in trade since 1844, when legislation last took place, but because a bank which had the right to issue one-pound notes in Scotland opened a branch in Cumberland, at which it did not propose to issue any notes at all. As the question of our monetary laws is now, however, exciting attention, it may not be inappropriate to inquire how they came to be what they are; how our system of banking grew up in the face of many legal restrictions, and is still largely modified by these restrictions; and what changes are now required so as to remove these restrictions with the least possible danger to the existing fabric.

In one respect the ground has been cleared for such an inquiry; and it may fairly be said that the facts and traditions upon which the Act of 1844 was based have now disappeared. In 1844

the Bank was the great and even controlling power in the money market. Its transactions were so large, and its possession of the Government deposits was so important, that practically it controlled the rate of discount, and it was upon this control, and the consequent immediate action upon the bullion reserves and the foreign exchanges of a high or low rate of interest, that the Act was based. But in thirty years it has become only one of many. There are single institutions whose discounts are much larger than those of the Bank, and for some years back the governors of the Bank have been acting on the principle that their first duty is to make money for their shareholders, and not to preserve an adequate specie reserve. They have very much ceased to trouble themselves about any abstract questions of money or the exchanges, and are content to rub along as well as they can. It is, for example, undoubtedly the case that as a rule the Bank of England does not hold more gold than the balances which it owes to the other banks. Its normal condition now is very much what it was on a summer evening in 1866, when a deputation of bankers waited upon the Chancellor of the Exchequer and informed him of their ultimatum, that if he did not suspend the Act of 1844, they would force its suspension by withdrawing their deposits from the Bank. The other assumption in the Act of 1844, that the circulation of bank-notes should fluctuate as would a circulation of gold, will be discussed in the sequel. But it is sufficient to excite attention to the question to know that the theory that the Bank of England can immediately lessen or raise the rate of interest in the money market, and so influence trade and prices, has ceased to be true. To make the theory of the Act of 1844 now correspond to the facts of the case, it would be necessary that all the great banks should be directly interested in maintaining an adequate specie reserve, and should act unitedly upon all questions affecting that reserve. That they do not so act together, and that our system of banking is what it is, I will now proceed to explain.

The explanation is, that the English system of banking, and of credit so far as it depends upon banking, is largely a creation of the law. At no time for two centuries has the business been in any sense a free one; and however various the opinions of legislators may have been at different times, and however conflicting the principles upon which they acted, they have always treated bankers as if they were members of a dangerous class. A history of banking legislation would indeed be a not uninteresting addition to the history of human follies. The earliest in point of time, and one of the most pernicious of these restrictions, were the Usury laws, which were only entirely abolished in the year 1839. By these laws bankers and capitalists were prevented from obtaining directly the fair value of their money, and were forced to resort to all kinds of indirect means. Customers were compelled to keep large balances, or they were charged various commissions. What was still more important, the banks

must often have been crippled in obtaining deposits by their inability to give a fair market value for them; whilst, on the other hand, they must have done injustice to small customers, especially in times of pressure, and refused them accommodation, because, without a high discount rate, their accounts were not profitable. Nor could the banks raise and lessen their discount rate, and so check prices and speculation, and regulate the flow of bullion. The whole theory of the Usury laws, which affected not banking only, but all credit, was thus precisely the reverse of that of the Act of 1844; and it is one of not the least curious facts in the history of banking that between 1839 and 1844 our legislators should have so entirely changed their policy. Even more curious is it that so short an interval between two opposite excesses was allowed for the medium course of free trade. So little, however, were people prepared for free trade that in these five years alone four alterations were made in the Bank of England rate of discount, while now, for example, in the year 1873, the changes have been twenty-four.

But if the Usury laws affected bankers in common with other classes of capitalists, there has not been wanting much special legislation for their exclusive benefit. The first London bankers were the goldsmiths, whom Charles II. robbed so barefacedly. Almost as soon as the present Constitution was fixed by the Revolution of 1688, the Bank of England was started as a monopoly. No other joint-stock bank was allowed to be formed in England; and no bank, joint-stock or private, was allowed to issue notes within sixty-five miles of London. In this way the formation of large banks, such as the Scottish banks, with numerous branches, was prevented; and so the banks in large towns, where money is always in demand, were unable directly to obtain the deposits of the smaller towns, where money is always plenty. Owing to this the class of money-brokers of which Overend, Gurney & Co. were the type, grew up towards the close of the last century; their legitimate business was to obtain money from country bankers and capitalists, and to give them in return the bills of town bankers. No doubt some of these restrictions were gradually abolished, but the process itself was a slow one, and as soon as the older restrictions were abolished, new ones were created. In fact, if one might use the illustration, the old twist or bias in the system was not removed till a new one was created. Thus, for example, the first permission to establish joint-stock banks compelled all banks to adopt the principle of unlimited liability, although in the older banks, the Banks of England, Ireland, and Scotland, the liability was limited. The capital of the banks was thus made small when compared with their liabilities, as many parties would object to take shares in unlimited companies; and of course when the shareholders were limited in number, the capital of the banks would also be limited. This restriction has now, indeed, been removed, and banks with limited liability have been created; but there is still a prejudice against them, which, as will be shown in

the sequel, it will require years to overcome. Then again this permission to found "unlimited" joint-stock banks was, by a curious fatality, almost coincident in time with the withdrawal of the right to issue notes under five pounds. But as a very considerable proportion of the business of new banks depends upon the power of issuing notes, this prohibition was really a formidable check upon the formation of new banks. The Legislature, indeed, seems to have had special difficulties in dealing with these small notes. They were prohibited in England between 1777 and 1797, and again from 1825 till the present time. They had, indeed, been withdrawn from circulation a year or two previously to 1825, and the panic of that year was, by the testimony of many witnesses, allayed by the discovery in the vaults of the Bank of England of a quantity of these one-pound notes, and their issue to the public. Under the Act of 1844, the last great system of banking legislation, aided also by the Act of 1845, which prohibits any new bank from issuing notes, and prevents the existing English banks from issuing notes against gold, the banks all look to the bank of England to furnish them with its notes, which are a legal tender, whilst the bank is prevented from doing so unless it holds gold against these notes. The banks, in fact, are all induced to depend upon the Bank of England; and the Bank cannot even use its credit to help them. It may receive their money and issue to them in return deposit receipts or post bills, or place it to their credit in its books, against which they can themselves issue checks, but it is prohibited from giving them the one form of acknowledgment which they require for their customers, viz., bank-notes. An English banker, thus carefully shut off from all obligation to provide gold for his liabilities, looks to the Bank to give him its notes; and the Bank, if we may judge from its action for some time back, is more than ever determined to lean upon the Government, and to regard a suspension of the Act of 1844 as a remedy for all financial evils.

From what has been said, the prominent faults of English banking, largely the result of this constant interference, may be described as two.

1. The capital, when compared with the liabilities, is too small.
2. The proportion of specie kept as a reserve is also too small.

The former of these operates in this way, that as a bank's advances are based almost entirely upon its deposits, which may be called for during a panic, and not partly upon capital, which cannot of course be called for, the bank becomes very uneasy in times of pressure, and very unwilling to make advances. The pressure caused by this unwillingness becomes gradually intensified, and finally the small specie reserve augments it into a panic, when all reason seems to give way, the credit of the best and most solvent houses is questioned, and people are afraid that they will not even procure the currency needed to carry on their daily business.

Now, no doubt, our main remedy will be to return to the natural course of trade, and to something like free trade in bank-

ing. There is no business to which the principle of open competition is so applicable as banking; because there is nothing so easily dealt with as those representatives of commodities, Bills of Exchange, the circulating capital of the country, in which a banker deals. But there are two important exceptions to be taken to this general principle. The first is that the circulation of small notes is, to this extent, a matter for State regulation. The holder of these notes is an involuntary creditor, and has neither the means nor the time to inquire into the solvency of the issuer. The second and more important is, that our banking system is now a very great and complicated machine which it will take many years to readjust, and that we need, in our first steps, to be very careful how we let the light of day in upon its dim recesses.

But, admitting that free trade is but a slow remedy for the evils of our banking system, it is undoubtedly the only one, and the remainder of this paper will be taken up in showing how it may be best applied. Or, rather, it will first be pointed out what changes in this system bankers have it in their power now to make, in consequence of alterations in the law made years ago; and then an attempt will be made to indicate what alterations in the existing laws are yet required to secure more perfect freedom of banking. Had space permitted I should have endeavored to illustrate in some detail how slow all business changes are; but probably the first class of suggestions, showing that so much might have been done by bankers themselves which has not yet been done, will serve to bring this fact clearly before my readers.

Upon the question of adopting limited liability as a means of largely increasing the ratio of capital to liabilities, of bringing upon the direction the very best class of business men who are unwilling to run the risks of "unlimited" banking, and of making the transactions of bankers more cautious, because they would be more dependent than at present for their credit upon the nature of their transactions, little need be said, except that the process, though slow, is likely to be sure. In proof, it may be pointed out that the new banks which have been formed during the past dozen years have all been upon this principle. The old and well-established banks will, indeed, be unwilling to make any change by which their capitals would be increased, but possibly their dividends diminished. But in the case of bank amalgamations, and as a consequence of those increases of capital which a growing business requires, we may expect this limited principle to come gradually into operation. The discredit thrown upon the system by the failures of 1866—very unjustifiably, indeed, for the companies which then failed had so small an amount of their shares paid up as to be practically unlimited—has already subsided, and the banks formed since the panic, like those formed before it, have been all on the limited principle.\*

\* No better principle has ever been suggested than that of the banks formed thirty or forty years ago under Royal Charter to do business in the Colonies. In these banks half of the capital is called up, and of course the shareholders are liable for an additional sum equal to the paid-up capital.

An increase of banking capital is no doubt most important, but it is with the inadequate specie reserve of the banks that we have chiefly to do; and here, as in the case just considered, of the smallness of the capital, very much can be done without Government interference. Not, indeed, that the action of Government in still further freeing banking from restraints now pressing on it will not have a powerful reflex influence in pushing on these reforms and removing the barriers erected by former legislation. For it may be said with certainty that the inadequate specie reserve kept by the banks is as much the result of the monopoly so long enjoyed by the Bank of England, and of the monopoly of circulation still enjoyed by it, as is the small number of limited banks the result of the long prohibition of such banks.

The first proposal is one so simple in itself that I have often wondered it has not been adopted long since. I have myself ventured repeatedly to advocate it, and lately it has been taken up by such papers as the *Economist* and the *Daily News*. It is that the banks should keep their own specie reserve instead of leaving this for the Bank of England to do. As a most important step towards this it would be necessary for the London banks to base their clearings, not upon their deposits at the Bank of England, but upon a stock of bullion owned by themselves, but of which the Bank might be the custodian just as it keeps the other valuables of its customers.

The word "necessary" has been used, and any one practically acquainted with banking will know that its use can be fully justified. No banker can carry on business unless he belongs to the Clearing-House, and if he is admitted to the Clearing-House his brother bankers can easily arrange the details by which he can be compelled to keep his proportion of the specie required to conduct the clearings. In this way the weak or the selfish banker will be compelled to share in the common fund, and to bear his proportion of the loss of interest which keeping specie involves. Such a control of the strong over the weak is required, for in the banking system the discredit of one member may injure all the rest. And nothing is more annoying to the cautious banker than to find that, not merely will his reckless neighbor not keep an adequate reserve, but that he himself is compelled to increase his reserve above what would be required, in anticipation of the catastrophe which he knows to be inevitable.

The details of such a scheme would present no practical difficulty. In New York for a number of years—until, indeed, the calamitous suspension of specie payments consequent upon the great war—the banks cleared against gold. In Edinburgh for many years the clearing has had for its basis a limited amount of Exchequer bills, and the bank which may have for a few days an unfavorable exchange, is required to buy from some of the other banks their excess of Exchequer bills. In London a sum not less than £6,000,000 in gold would be required to conduct the clearings, and the proportion which each bank should contribute could

be readily arranged. So also could be the question of any fluctuation from the normal standard owned by any particular bank. It is probable that it would be found an exceptionally easy thing to arrange for the London clearing, owing to the system by which the banks all keep accounts with the Bank of England. The banks would own directly a stock of bullion in the vaults of the Bank of England, but not included by the bank in its accounts unless such portion as it might itself own as one of the clearing bankers; but they would also, no doubt, retain their drawing accounts at the bank for the main purposes for which such accounts were first required.

The effect of such an arrangement would then be to make the London bankers' balances in the Bank of England the representative simply of their spare cash. At present their balances represent two entirely distinct things. They represent the money needed to meet the demands of other bankers on them. They represent in addition such portions of the spare cash of the bankers as they cannot employ at the moment, or may need at any time in the shape of Bank of England notes for their customers. There seems no reason why the Bank of England should not use the deposits of the London bankers so far as they represent this spare cash of the bankers, as part of its ordinary deposits; but there are, I think, very strong reasons for thinking that it is a dangerous thing to base the payment of the balances of the Clearing-House upon anything but specie. The distinct separation, therefore, of these two entirely different things would be a great gain to the mercantile community, and it would set at rest the dispute as to the propriety of the Bank of England using these deposits in discounting or otherwise.

Perhaps, however, the chief consequence of such a measure would be that it would unite all the banks and render their action prompt and unanimous in the case of a drain of gold. In such a case, each bank would have to pursue the same policy as its neighbors, or it would "go behind" in its clearing. A bank, for example, which discounted more freely, and at cheaper rates than others, would find its customers very quickly asking for increased accommodation. The granting of such increased accommodation would, however, result in its customers drawing against the advances made. The balances would be against the bank in the clearing, and to preserve its stock of gold it would require to raise its terms to that of the other banks. This joint action upon each other, and upon the money market, would be very much assisted if the Bank of England joined the clearing, as no doubt it would. It would thus restore the main condition which the Bank Act of 1844 assumed, but which no longer exists.

Such a measure in time of panic would place at the disposal of the London bankers a sum of £6,000,000 in gold to use at their discretion. The very knowledge that they owned this large sum would very greatly steady their operations and prevent a panic. If they found, as they probably would, that the transac-



tions at the Clearing-House were less than usual during a pressure, and the settlements smaller, it would be quite open to them to transfer a portion of the £6,000,000 to their credit at the Bank of England. It is even conceivable that by the act of the bankers the whole sum might be given to the Bank, to enable it to tide over some great emergency, and the exchanges could be carried on as at present, by checks on the accounts of the several bankers at the Bank of England.

If the bankers' balances are thus reduced, the Bank of England may be expected to keep less gold; but it is not likely that very much less gold would be kept. For one thing, the Bank can now calculate upon a certain amount of money at credit of the bankers to meet their clearings; and it is only against the fluctuating balances, the spare cash, that gold need be largely kept. But these fluctuating balances will be as large or larger than ever.

In the remainder of this paper it will be necessary to consider what are the chief changes needed in the existing laws in the direction of free trade; and it so happens that almost all of these are connected with the much vexed question of the currency. Many years ago it was said by Mr. Gladstone that there was no subject upon which, in his experience as Chancellor of the Exchequer, so many men were mad; and, as a rule, the very mention of the question is regarded as something more than an annoyance, and almost with a feeling of horror. Fortunately for the purpose of this paper, which is chiefly a practical one, there are only two propositions which it is necessary to consider.

1. That there is a marked difference between a circulation of large notes and of small ones; and

2. That there are many advantages in leaving to the banks as great a share of the circulation as possible.

1. Upon the first of these propositions something has already been said. The holders of small notes are really involuntary creditors of the Bank. These notes pass from hand to hand in a community with very much less scrutiny than do sovereigns, and there is scarcely any country in which they are issued without some check or restriction. But large notes are used in wholesale transactions, and the parties who require them may be fully trusted to protect their own interest. There is another point of difference between large and small notes. What may be called the "law" of their circulation is not at all the same. In other words, large notes may be required for wholesale transactions at a time when small notes are in very slight request, or *vice versa*. Unfortunately there are no statistics available to show how the different denominations of notes fluctuate as compared with £1 notes; but the returns of the circulation of bank-notes in Scotland are so given that it is possible to compare by months the circulation of £1 notes with the fluctuation of all kinds of large notes taken together. Probably, if we had weekly returns of the circulation, the results would be even more striking; but, taking the year 1872, had the circulation of £1 notes as compared with large notes,

varied in May as it did in April, the amount of the small notes should have been £3,740,000, whereas it was only £3,415,000. The circulation in May of £1 notes was thus £325,000 less than it might have been expected to be. In July, on the other hand, it was £222,000 more than might have been expected, the figures being £3,238,000 instead of £3,460,000. In May, therefore, the circulation was 9·5 per cent. less, and in July 6·4 more than the expectation. It is probable that a circulation of £1 notes and of sovereigns would also vary, but in a less degree, and that these notes would transact a greater amount of business. It has been necessary to dwell for a moment upon these figures, as they illustrate one of the weaknesses of the Act of 1844, the supposition that bank-notes should vary as would a circulation of gold; whilst they also throw some light upon the next proposition, viz., that the duty of conducting the circulation of a country should be as much as possible left to the bankers.

2. To estimate the advantages of leaving the circulation of a country as much as possible in the hands of its bankers, it is only necessary to bear in mind that notes are chiefly used, in mercantile transactions, in making payments in connection with transfers of commodities. But the credit which the banker attains by the issue of notes he uses in making advances to traders, chiefly in discounting bills, also based upon the transfer of commodities. There is thus a very intimate connection between the circulation and the advances, and any fluctuation in the one tells immediately upon the other. The advantage is precisely of the same kind as would be attained if by means of the Clearing-House the bankers were able to act promptly in order to protect their specie reserve, and no person has ever had experience of the details of banking business who does not know that this prompt index to mischief ahead is one of the main elements in avoiding the danger. To take from the banks the power of issuing large notes would also make a difference of £30,000,000 in the amount of capital available for discounts. There are other advantages in banks being the issuers themselves—such, for example, as the advantages of competing circulations, and the prompt return of all notes issued in excess. There are thus good reasons for the teaching of all experience, that the best and most successful issuers are bankers competing with each other.

Making these two principles, then, our basis, there is one practical suggestion which will occur to every one. Why, for example, should not the right to issue large notes be extended to all joint-stock banks in the three kingdoms?—taking, of course, reasonable precautions against fraud, such as arranging for their payment in certain great centers of trade, as well as at the places of issue. In practice, probably, the great London joint-stock banks would continue to use Bank of England notes as at present, especially if the Bank did not commence to allow interest on deposits; but throughout the country the privilege would be largely availed of. Even in Ireland and Scotland it would do much to abate the evil

of the close monopoly now enjoyed by some of the existing banks. The main difference of opinion in such a proposal would probably arise as to the meaning to be attached to the word "large" notes. My own opinion is that £5 notes and upward should be considered large notes; certainly the line might safely be drawn at £10 and upward.\*

But it is not possible at this point to refrain from asking the question: Why should not one-pound notes be issued either directly by the Government or through some semi-government institution such as the Bank of England? To such a question, however little people's minds may have been prepared for it, there seems but one reply: There is no reason whatever. The issue of one-pound notes was discontinued because they were easily forged, and the punishment of forgery in 1825 was death. But neither of these reasons would now operate. The chief other argument which has been urged is, that by not issuing one-pound notes a large amount of gold would be kept in the country, and this would be available in case of war. But in these days of extended trade there is really no weight in such an argument. Gold can be obtained to carry on all military operations without trouble, and it may even be doubted whether a well-regulated issue of one-pound notes, with a large specie issue to secure the convertibility of the notes, would not in any extreme case rather assist the Government. The danger of Government interference with trade is not a question which need cause much alarm. The action of Government can be so carefully guarded as absolutely to prevent such interference, or there might be such a limited power left with the First Lord of the Treasury and the Chancellor of the Exchequer as would rather assist trade than hinder it.

The advantages of a circulation of one-pound notes would be very great. In the first place, they are exceedingly convenient; they are lighter than sovereigns, and they can be transmitted by post. Then it would be of very great service to know from time to time how the circulation of the country varied. This is impossible with sovereigns, but could be at once ascertained by the use of paper money. Again, there would be an important saving in the interest of gold required in the coinage, and as an estimate I give reasons a little further on for stating this annual saving at £750,000 a year. Not improbably, however, this large sum would be considerably exceeded. Lastly, it would be open to consider how far a portion of the gold necessarily kept in reserve to redeem these small notes might be used—not, indeed, to prevent pressures, the consequence of over-trading and over-credit, but to allay that extreme panic which is, in part at least, a consequence of the artificial system of banking erected by the legislation of the past two centuries.

\* It would be a matter of some practical importance if joint-stock banks were required to furnish monthly returns of their business. The principle has been recognized in the case of insurance companies and railway companies, and even partially in that of banks. Such returns would, *inter alia*, be of very great value as furnishing an index to the state of trade in the country. The Bank of England returns, it may be pointed out, are much too brief, and should be made to resemble, more than they do now, those of the Bank of France. The latter, however, rather err in being too minute.

I am, of course, aware that a proposal that the State should issue one-pound notes will lose me some of that consent which I may hope the previous parts of this paper will have secured. I may therefore be permitted to indicate one or two considerations which seem to point in the same direction. In the first place, the State is now a great banker, owing an enormous sum to the savings banks, and granting drafts to an enormous amount between one place and another; but it is a banker which keeps no reserve whatever. Again, the State, in issuing one-pound notes, would differ from an ordinary banker in this respect, that it would be entirely optional with the public whether it took their notes or not. When banks issue notes, there is a distinct advantage given by them to a paper circulation, but with the State issues no such advantage would exist; and if its notes displaced gold, it would simply be because they were more convenient. Lastly, I may repeat the argument which runs through this paper, and ask, if there is no risk in the issue of one-pound notes, and if there be advantages and profit in the issue, which, had it not been for legal restraints, would long ere this have induced the circulation of these notes, why should all the advantage and profit be thrown away?\*

---

## MERCANTILE SHIPPING AND NATIONAL WEALTH.

One of the most important elements of the National wealth is derived from our mercantile marine. Hence the advance or decline of ship-building has always been watched by economists as a sort of barometer of the material growth of commercial nations in modern times. Notwithstanding the current reports to the contrary, there is a little improvement in the relative position of the United States in this respect. Still, we are far from having recovered the losses which were inflicted on our shipping interests by the war, by the adoption of steam vessels, and, above all, by the use of iron instead of wooden ships. To show the extent of the revolution thus effected in the carrying trade of the United States, Mr. Boutwell stated, in his report for 1871, that in 1860 the proportion of our foreign trade that was done in American ships was nearly 71 per cent; in 1864 the proportion was 46 per cent.; in 1868, 44 per cent.; and in 1871, 38 per cent. In 1872 it had fallen to about 28 per cent.; in 1873 to 24 per cent.; while in 1874 it rose to 28 per cent. This proportion is still very low; but there are a number of facts which seem to indicate an approaching improvement, which is due in part to the enterprise of our ship-builders, the reduction of wages, and the economy of other expenses in the construction of ships. As a further illustration of

\* In a future number of the *BANKER'S MAGAZINE* we shall probably offer some remarks on this suggestive paper. Mr. Henderson has fallen into some errors which could scarcely be corrected in a foot-note. The want of space compels us to omit the concluding pages of the article, which contain some elaborate arguments relative to the changes advocated by the author. They are well worth examination by those who take a special interest in the plan.

this change we give from the New York *Bulletin* the subjoined table, showing the number of vessels now owned by each country at the close of last year, compared with the number registered under each flag in 1870:

## SEA-GOING SHIPPING, 1870 AND 1874.

	Number		Tonnage	
	1870.	1874.	1870.	1874.
American .....	7,025	6,869	2,400,607	2,181,659
Asiatic .....	..	35	..	13,527
Austrian .....	852	955	317,780	327,742
Belgian .....	72	51	26,148	17,158
British .....	23,165	20,538	6,993,153	5,383,763
Central American .....	..	138	..	46,580
Danish .....	1,415	1,239	183,510	173,480
Dutch .....	1,690	1,418	444,111	385,301
French .....	4,968	3,780	891,828	736,326
German .....	4,320	3,483	1,046,044	852,789
Greek .....	1,860	2,063	375,680	406,937
Italian .....	3,395	4,343	907,570	1,227,816
Norwegian .....	3,652	4,464	989,882	1,349,138
Portuguese .....	368	410	87,018	92,808
Russian .....	1,306	1,428	346,176	331,350
South American .....	..	219	..	82,761
Spanish .....	3,036	2,674	545,607	509,767
Swedish .....	1,930	1,905	340,188	361,363
Turkish and Egyptian .....	..	277	..	43,360
Various .....	464	..	147,196	..
Total .....	59,918	56,289	16,042,498	14,523,630

Two facts of importance are illustrated by this table. First, there is a falling off in the aggregate of 3,629 vessels. The decline is very unequally distributed. The chief sufferer is Great Britain, which lost during the four years 2,627 vessels, while America reports a falling off of only 156. Denmark, Holland, France, Germany and Spain are all on the losing side, showing that the activity of business has not been sufficient to find employment for the old fleets of mercantile vessels, and to keep the supply of new ships equal to the destruction of old ships by rough weather and by the percentage of various casualties.

Secondly, we have an illustration of the effect of the Isthmus of Suez in developing the Mediterranean marine. When the project of constructing the canal was first agitated, the objection was raised by some persons that it would produce a revolution in the commerce of Europe with the Orient, somewhat like that produced by the discovery of the route to India by the Cape of Good Hope. The prediction was that if the Egyptian Bosphorus were to be opened it would restore the old routes of commerce. For several years this prediction was not fulfilled, for the simple reason that the Mediterranean ports had little or no shipping suitable for the trade. Hence England, France, and other countries which had abundance of shipping, retained the control of the trade. It remains to be seen whether it will not gradually pass in part into other hands. The new movement, if it should take place, will be developed in all probability by extremely slow degrees. However

this may be, the statistics before us show that Turkey, Egypt, Greece, Portugal, and Italy are all increasing their shipping. The activity of the timber trade has also given an impetus to the shipping of Norway. Of the total number of vessels in 1870, the United States had 11.80 per cent., which increased in 1874 to 12.19 per cent.; while Great Britain, from having 38.92 per cent. of the total in 1870, fell off to 36.48 per cent. in 1874. The next nation in importance is Norway, which held 7.93 per cent. in 1874. In 1870, it will be observed, Germany was in advance of both Norway and Italy, holding the place next to the United States, which it has now relinquished to Norway.

In tonnage, the United States has gained; the percentage in 1874 was 15.02 of the whole, against 14.96 in 1870. Great Britain last year possessed 37.08 per cent., while in 1870 she had 43.59 per cent. The total, it will be seen, shows a falling off of 1,518,868 tons.

These facts illustrate the condition of the sailing vessels of the various nations. We next proceed to give the number and tonnage of the steamships:

SEA-GOING STEAMSHIPS, 1870 AND 1874.

	Number		Tonnage	
	1870.	1874.	1870.	1874.
American .....	597	613	513,792	768,724
Asiatic .....	..	6	..	3,459
Austrian .....	74	81	44,312	83,039
Belgian .....	14	39	10,442	40,536
British .....	2,426	3,002	1,651,767	3,015,773
Central American.....	..	9	..	5,332
Danish .....	44	67	12,085	38,976
Dutch .....	82	107	39,405	93,723
French.....	288	315	212,976	318,757
German .....	127	220	105,131	268,828
Greek .....	8	9	3,267	5,329
Italian .....	86	110	36,358	91,014
Norwegian .....	26	112	7,321	51,103
Portuguese .....	18	23	13,126	18,452
Russian .....	62	144	28,422	111,072
South American .....	..	72	..	52,387
Spanish .....	148	212	72,845	155,417
Swedish .....	83	195	18,633	77,440
Turkish and Egyptian....	..	29	..	27,530
Various .....	49	..	23,550	..
Total .....	4,132	5,365	2,793,452	5,226,888

During the four years from 1870 to 1874 the aggregate number of steamers increased 1,233, and the aggregate tonnage to 2,433,456 tons, the most decided progress being made by Great Britain. The average size of American steamers is 1,254 tons; British, 1,005; French, 1,012; German, 1,222; Spanish, 733.

Great Britain has now in her mercantile marine a tonnage of 8,399,536 tons, and the United States, 2,950,383 tons. The report of our coasting vessels, and of our interior and lake traffic, is of course excluded from the above list of the American sea-going vessels. The statistics of these vessels would well repay examination.

## RAILROAD PROPERTY AND RAILROAD PROSPECTS.

Never, perhaps, in the history of American railroads has there been a time when more interest has been exhibited abroad in their position and prospects. The reasons of this are well known. Foreign capital has invested itself in our railroads, and great sums have thus been lost, so that a prejudice has been excited, and a number of capitalists have lost money in American investments. It might seem as if these misfortunes would be prejudicial to the future success of our railroad enterprises in attracting capital and awakening confidence. But this is not so, for two reasons: first, all experience shows that foreigners have lost their money because they chose the wrong sort of securities in which to invest; had they used more caution and judgment they would have had fewer losses. Secondly, they are beginning to appreciate the truth, and capital is flowing from abroad into American railroad bonds, and is likely to do so more rapidly in the early future than for some years past. The recent failures in England and in continental Europe are also helping this movement of foreign capital, for the general disturbance of confidence in the financial circles of the Old World is repelling capital from its former channels, and forcing it to seek new outlets for investment.

These, and other circumstances, have enhanced the desire at home and abroad to learn more about our railroads; and there is all the more interest in the investigation as we are passing through a transition period in the history of our railroad legislation. The Grangers, and their spasmodic attempts to correct acknowledged evils by heroic treatment and perilous remedies, will soon cease to do harm, and will leave behind them an influence for good. Such, at least, is the belief of men who have watched events with some care.

To this general and increasing anxiety at home and abroad to obtain authentic information about our railroads, we owe such books as Vernon's and Poor's *Railroad Manuals*. The last named work is before us. It contains the report of the progress of American railroads during the year 1874. From its elaborate statistics, compiled from authentic sources, we find that the mileage added to our railroad system during the year 1874 was 1,940 miles, while during the five preceding years the average increase was more than six thousand miles a year. This statement corresponds very nearly with the report of the *Railroad Gazette*, whose statistics, published last April, gave a total of 2,025 miles of railroad built in 1874, 422 miles of which were of three-feet gauge. The mileage constructed in 1873 the *Gazette* states at 3,883 miles, and that in 1872, when the construction was the greatest ever reported in this country, 7,340 miles. The whole network of railroad in this country Mr. Poor

reports at 72,623 miles, the cost of which he sets down at \$4,221,763,594. Of this sum the shares amount to \$1,990,997,486, and the funded and other debt to \$2,230,766,108. The net earnings of the year were \$189,570,958. In other words, we have, to represent our railroad network, a mass of securities amounting to more than 4,200 millions, of which the bonds constitute over one-half. Our railroad bonds thus reach a total about equal to that of the national debt, which amounts to \$2,270,932,088, exclusive of \$64,623,512 of United States currency bonds, issued for the construction of the six Pacific railroads.

Viewed as an investment, then, our railroad system has been built up at an expense of 4,200 millions of dollars. We will next inquire as to the amount of its earnings. Mr. Poor shows that our railroad system earned, as we have said, 189 millions net. These earnings amount to nearly twice as much as the annual interest on the public debt. In 1873 the railroad earnings were 183 millions, so that there is an increase in 1874 of six millions in the sum to be divided among the owners. This increase offers gratifying evidence of the vitality of our railroad organism, and of the active traffic which has been going on notwithstanding the notorious depression of business. It is an important fact, that the passenger traffic shows a considerable increase, in spite of the reduced fares. The freights, in consequence of the reduced tariffs, which were due partly to the Grangers and partly to the competition of the railroads, yielded ten millions less in 1874 than in 1873. The total gross earnings show a decline of no more than \$5,760,396. On the other hand, there was a saving of \$11,714,315 in operating expenses, owing to the decline of materials and labor, as well as the use of more economy, honest management and care. The following tables are compiled from those of Mr. Poor, and show the chief financial facts, in which our bankers and investors will be interested:

## RAILROAD PROGRESS IN 1874.

<i>States.</i>	<i>Miles.</i>	<i>Capital.</i>	<i>Bonds and Debt.</i>	<i>Total Cost.</i>	<i>Cost per Mile.</i>
New England..	5,509	\$137,125,915	\$111,218,811	\$248,344,726	\$42,862
Middle .....	14,291	657,934,601	660,464,491	1,318,399,092	47,356
Western .....	34,882	899,030,222	1,073,147,622	1,972,177,844	54,329
Southern .....	15,602	213,794,148	309,715,075	523,509,223	38,764
Pacific .....	2,339	83,112,600	76,220,109	159,332,709	89,981
Aggregate...	72,623	\$1,990,997,486	\$2,230,766,108	\$4,221,763,594	\$60,425

<i>States.</i>	<i>Total Receipts.</i>	<i>Operating Expenses.</i>	<i>Per ct. Expenses to Receipts.</i>	<i>Net Earnings.</i>	<i>Per ct. of Earnings to Capital and Debt.</i>	<i>Dividends Paid.</i>
New England.	\$50,064,774	\$33,351,591	66.6	\$16,713,183	6.7	\$8,511,971
Middle .....	186,408,438	116,309,466	62.3	70,188,972	5.3	37,600,154
Western .....	214,869,477	139,322,782	64.9	75,546,695	3.8	16,605,832
Southern .....	52,259,241	34,989,909	66.9	17,269,332	3.3	1,068,455
Pacific .....	16,774,086	6,921,310	41.9	9,852,776	6.1	3,256,130
Aggregate.	\$520,466,016	\$330,895,058	63.6	\$189,570,958	4.5	\$67,042,942



## FINANCIAL CONDITION OF THE RAILROAD NETWORK OF THE UNITED STATES: JANUARY, 1875.

	New England.	Middle States.	Western States.	Southern States.	Pacific States.	Total U. S.
Miles of R. R.....	5,509	.....	.....	.....	.....	.....
Square Miles of Area.....	68,348	137,628	1,038,588	789,378	458,374	2,492,316
Population.....	3,696	11,000,000	15,160,000	11,465,000	907,000	42,219,000
Square Miles to one Mile R. R.....	12.4	9.6	29.8	50.6	196.6	34.4
Population to do.....	671	769	445	735	388	581
Cost of R. R. per mile.....	\$42,862	\$47,356	\$54,329	\$38,764	\$89,981	\$60,425
Capital Stock.....	137,125,915	657,934,601	899,030,222	213,794,148	83,112,600	1,990,997,486
Bonds and Debt.....	111,218,811	660,464,491	1,073,147,622	399,715,075	76,220,109	2,230,766,108
Total Capital account.....	248,344,726	1,318,399,092	1,972,177,844	523,509,223	159,332,709	4,221,763,594
Total Receipts from passengers.....	22,111,787	40,699,871	56,783,466	14,131,291	6,272,666	140,999,081
do from pass'r per cent. to total...	44.2	22.3	26.4	27.1	37.4	27.1
do from freight.....	\$25,075,777	\$134,658,938	\$142,020,912	\$34,782,286	\$10,478,961	\$347,016,874
do do per cent. to total..	50.1	72.2	66.1	66.6	62.4	64.8
do from all sources.....	\$50,064,774	\$186,498,438	\$214,869,477	\$52,259,241	\$16,774,086	\$520,466,016
do per cent. to cost.....	20.2	14.1	10.9	9.9	10.5	12.3
do to one mile of R. R.....	\$8,915	\$14,486	6,103	\$3,869	\$10,234	\$7,344
do to one inhabitant.....	13.75	16.95	14.17	4.55	18.49	12.32
Total Dividends paid.....	\$8,511,971	\$37,600,154	\$16,605,832	\$1,068,455	\$3,256,130	\$67,942,942
do per cent. on capital.....	6.21	5.71	1.92	0.50	3.92	3.37
Total Working Expenses.....	\$33,351,591	\$116,309,466	\$139,322,782	\$34,989,909	\$6,921,310	\$330,895,058
do per cent. of Receipts.....	66.6	62.3	64.9	66.9	41.9	63.6
Net Earnings.....	\$16,713,183	\$70,188,972	\$75,546,695	\$17,269,332	\$9,852,776	\$189,570,958
do per cent. to cost of R. R.....	6.7	5.3	3.8	3.3	6.1	4.5
do do gross receipts.....	33.4	37.5	35.1	33.1	58.1	36.4

## EXCHEQUER BILLS AND OUR WAR FINANCE.

To meet the exigences of our war finance, during 1861 and 1862, it was several times proposed to issue Exchequer bills, like those which for two centuries have been so much used by the Public Treasury of England. Not a few persons of great financial experience were anxious that we should adopt this system. They contend that it would have preserved the country from the necessity of issuing paper money. Whether this opinion be well founded or not, it is certain that the system of Exchequer bills has proved in England a valuable expedient for raising war loans suddenly, and for carrying without inconvenience a temporary floating debt at little cost for interest. Another advantage of the Exchequer bills is, that they equalize the resources of the Treasury, and enable it to make its disbursements promptly, without keeping a large balance in the Treasury, as is requisite under our financial system. Some years ago Mr. Robert Lowe, while Chancellor of the Exchequer under the Gladstone Administration, made some important changes in the Treasury. The result of these and other circumstances has been that the issue of Exchequer bills has been much curtailed. In 1860 the unfunded British debt, which consisted chiefly of Exchequer bills, was 16 millions sterling. It is now little more than four millions. Whether, at an early day, the British Treasury will not be compelled to go back to the old system, and to make a more free use of Exchequer bills, is a fact which is warmly disputed. The total debt of Great Britain has fluctuated as follows during the period referred to:

## FUNDED AND UNFUNDED DEBT OF GREAT BRITAIN, 1860—1874.

<i>Year.</i>	<i>Funded Debt.</i>	<i>Unfunded Debt.</i>	<i>Total Debt.</i>	<i>Cash balance in Treasury.</i>
1860.....	£785,962,000 ..	£16,228,300 ..	£802,190,300 ..	£7,972,864 ..
1861.....	785,119,609 ..	16,689,000 ..	801,808,609 ..	6,672,132 ..
1862.....	784,252,338 ..	16,517,900 ..	800,770,238 ..	5,288,676 ..
1863.....	783,306,739 ..	16,495,400 ..	799,802,139 ..	7,263,839 ..
1864.....	777,429,224 ..	13,136,000 ..	790,565,224 ..	7,352,548 ..
1865.....	775,768,295 ..	10,742,500 ..	786,510,795 ..	7,690,922 ..
1866.....	773,313,229 ..	18,187,700 ..	781,500,929 ..	5,851,314 ..
1867.....	769,541,004 ..	7,956,800 ..	777,497,804 ..	7,294,151 ..
1868.....	741,190,328 ..	7,911,100 ..	749,101,428 ..	4,781,846 ..
1869.....	740,418,032 ..	8,896,100 ..	749,314,132 ..	4,707,259 ..
1870.....	740,789,548 ..	6,761,500 ..	747,531,048 ..	8,606,647 ..
1871.....	731,309,237 ..	6,091,000 ..	737,400,237 ..	7,023,435 ..
1872.....	730,986,800 ..	5,155,100 ..	736,141,900 ..	9,342,652 ..
1873.....	726,584,423 ..	4,829,100 ..	731,413,523 ..	11,992,705 ..
1874.....	723,514,005 ..	4,479,600 ..	727,993,605 ..	7,442,854 ..

In the foregoing table we show from the official reports how the amount of the unfunded debt of Great Britain has diminished, and how its diminution has compelled the Treasury to hold a

larger cash balance than formerly. We also show the rapidity with which the public debt of Great Britain is being reduced. During the last fourteen years its aggregate has fallen from 802 millions sterling to 728 millions, making a reduction of 74 millions sterling, or \$370,000,000, between the years 1860 and 1874.

The Government revenue in England in the fiscal year 1874, was £77,335,657, or \$386,678,285. This is a greater amount of revenue than is raised by any of the other European nations except France, whose revenue in the fiscal year 1874, was 2,523,456,412 francs, or \$504,691,291. In 1801 the total amount of the annual taxes of Great Britain exceeded \$200,000,000. In 1816 it had risen to upward of \$415,000,000; from that period to 1830 it maintained an average of over \$250,000,000, or somewhat over \$5,000,000 each week. At present the weekly revenue is about \$7,000,000.

As late as the beginning of the 18th century, the deposits in the British Exchequer were certified by tallies, or sticks split and notched in the manner in which bakers and their customers keep their accounts of loaves delivered; these were the securities issued by the British Exchequer until the present device of Exchequer bills was introduced by Montague, Earl of Halifax, at the time of the great financial difficulties attendant upon the recoinage, and the overissues of the Bank of England to the Government in the first years of its existence. From that time to the present the Exchequer bills, then so useful, have been a prominent feature of the British system of finance. It may be safely asserted, indeed, that this system of Exchequer bills, as conducted between the Exchequer and the Bank of England, is one of the main props of British finance, without which its enormous burdens could not be borne, nor the income maintained. The history of British finance is interesting throughout; but the agency of Exchequer bills and notes of the Bank of England, as employed from year to year in aid of the Treasury, is what we wish chiefly to insist upon.

There is a great, and indeed unnecessary, complication in Great Britain in the management and appropriation of the various branches of income to the corresponding items of public expenditure. This arises in part from ancient usages, and in part from the necessity of complying with many acts of Parliament passed at different periods, and not always consistent or harmonious in their details. The following are, however, always prominent items of payment: the interest of the national or funded debt; the interest and principal of the unfunded debt; the annual expenditure upon the civil list for the army, navy, and other expenses of yearly occurrence. These together make a yearly outlay of \$350,000,000 and upward. For a considerable proportion of this sum, the public Treasury issues its notes or Exchequer bills in anticipation of the receipts of the revenue; and this, whether the income upon which the advance is made be applicable to the permanent debt or interest of the funded debt, or the unfunded debt, or to the accruing expenses of every year, independent of interest or debt.

It is the settled practice of the British Exchequer thus to anticipate the incoming taxes; that is, to borrow the amount, pay the demands upon the Public Treasury as they accrue and are payable, and return the borrowed funds out of the taxes as they come in. Two important advantages arise from this process: a large sum of floating debt is carried at a less rate of interest than that for which it could be funded as a part of the permanent debt; and the whole or a large proportion of the amount of the annual expenditures is actually paid by the Government to the people before they are called upon to pay their taxes.

But the mere circumstance of carrying the floating debt at a lower rate of interest would not suffice to justify the plan. It is a great advantage that the floating debt thus managed forms a perfectly safe reservoir into which to pour any temporary or occasional surplus of income. When the income of the Treasury overflows, all the surplus of revenue is at once applied to the payment of so much of the floating or unfunded debt. This surplus would be applied to the payment of Exchequer bills, for which no corresponding amount would be issued until the money was wanted. The Exchequer carries in this way a large floating debt, which is now much less, as we have said, than under the old Treasury system; but it still fluctuates more or less according to the productiveness of the annual revenue. This floating debt is secured chiefly by Exchequer bills, which are paid off quarterly, semiannually, or annually; but so distributed as to be paid off gradually in each quarter of the year. After a specified time a portion of them are receivable in payment of taxes or customs. They are issued in sums of £100, £500 and of £1,000, and each bill bears a fixed daily rate of interest, which the Government can increase by proclamation, as is done when there is danger of their being returned too rapidly to the Treasury for payment. Exchequer bills have long and deservedly been a favorite security for temporary investment. The experience of more than a century has taught the people that they are faithfully managed; their credit has been so carefully maintained that they are at all times salable. The amount kept on the market is strictly gauged to the demand; if at any time it is found to be so great as to weigh upon the demand or check their ready sale, a portion is immediately withdrawn or funded. The quantity of Exchequer bills in the hands of the people is large enough to keep them before the public as at all times an accessible security, and as safe as the nation itself. Thus managed, Exchequer bills become an important and sure resource for the Government in every emergency, for every sudden demand upon the Treasury, whether ordinary or extraordinary.

There is always in a rich mercantile country like Great Britain a large amount of funds applicable to payments, public and private, of which the owners can dispose for a longer or shorter time, but which they cannot permanently invest. Every one who can spare £100 or £1000 for a week, or a month, or six months, or a year, is glad to avail himself of the facility of an Exchequer

bill. They are almost always at a premium, and the only risk run is, that at the sale a less premium may be obtained than that which was paid at the purchase. It should be noted that the class of lenders to which Exchequer bills appeal are such as would be less tempted by any other security. They would not lend the money they thus invest upon mortgages, nor upon commercial paper, nor upon public stocks, or private enterprises of any description. Upon all these, apart from other risks, there is greater hazard of fluctuation, which might absorb much more than all the profits of a short investment. The fluctuation of Exchequer bills has so narrow a range that the most timid would never fear the loss of, not only interest, but a part of the capital. The British Exchequer furnishes a security, based upon the faith of the nation, under the careful management of the Bank of England, exactly suited to this class of lenders. Nothing could be devised better suited to their wants. The funds they have to spare are promptly exchanged for Exchequer bills; and for every sum thus loaned, the lender obtains interest for every day it is out of his hands. There is, then, in Great Britain a fund of some \$20,000,000 or more, at all times subject to the call of the Government and of the Bank of England, upon this form of security. Even in times of great commercial distress, Exchequer bills are in demand; because, the greater the distrust in individuals, the more lively is the general disposition to resort to public securities. It is very true, however, that the success of this whole device of Exchequer bills has depended, from the beginning in 1696 down to the present day, upon the Bank of England, which has long had the actual management of the public debt of Great Britain. The delicacy and care necessary to regulate the issues of Exchequer bills could only be appreciated by a great bank, or similar institution, placed in intimate relations with the capital of a country, and closely united to its financial and industrial life.

This system has enabled the Government of Great Britain not only to meet all the regular demands upon the Exchequer with complete promptitude, but to encounter the sudden emergencies of war with ease and efficiency. It has not only met the extraordinary expenditure of the 18th century, but of the wars following the French Revolution, continuing through a period of forty years, and during that time immense sums were paid in the way of loans and subsidies to other European Powers. By the aid of this well-devised security, and the judicious management of the Bank of England, the Government was never without available resources on the most trying occasions; it was often saved from such financial movements as cannot but create alarm. The Exchequer bills were always in circulation, and an extraordinary issue could be managed with little disturbance of the money market. In the 57th year of George III., an act was passed establishing a Board of Loan Commissioners, who were to have charge of the business of furnishing special relief out of public funds, or by help of public credit. This act "authorized the issue of Exchequer bills, and the

advance of money out of the Consolidated Fund, to a limited amount, for the carrying on of public works and fisheries in the United Kingdom, and in affording employment to the laboring classes, under the then circumstances of the country." Under this and other provisions of law, vast sums, besides the ordinary taxation, were raised and applied to special purposes. Relief to Ireland, relief to the West Indies, as well as to those needing it at home, was largely afforded, to the amount of scores of millions of pounds sterling. Under the management of the Bank, a very small advance in the rate of interest upon Exchequer bills sufficed to call forth large sums; but this store of capital was carefully husbanded by the Exchequer and the Bank; if drawn upon too heavily, it might have been exhausted, or such a rise in the rate of interest might have occurred as could not easily have been reduced. This large fund, formerly held at the disposal of the British Exchequer, has no parallel in any country. It required consummate management to sustain it, and a vast substratum of industrial and commercial wealth to serve for its foundation. During the exhausting financial efforts imposed by the Napoleonic wars, the public debt of Great Britain would have proved a burden too great to be endured but for this facility, and in more recent years the annual income of that country could not, for many successive years, be collected, without great oppression of the tax-payers, but for this well-tried expedient of Exchequer bills.

The main advantage in employing Exchequer bills does not, however, arise from the ready access they give to a large amount of funds, which no other security can so readily command, nor from the fact that they can be always purchased by those who wish to have them, and always sold by those who wish to realize, nor because the fluctuations are confined to so narrow a range as to cause no apprehensions among holders. The chief advantage has been, that, as the collection of the British revenue involves a payment into the public coffers of £1,400,000 sterling weekly, or \$7,000,000, the withdrawal of which, week after week, would be sensibly, if not severely, felt in the channels of business, the mischief is avoided by the use of Exchequer bills. They enable the Government to borrow the entire sum required for the current payments of the Treasury, and to disburse to the public creditors the whole amount of the incoming revenue before its regular receipt into the Exchequer. The Government, by this means, avoids even the temporary withdrawal of the currency employed in business; it draws the sums required for current payments from a vast mass of funds, which, for a time, would otherwise remain unemployed; and disburses the notes of the Bank of England thus obtained wherever the public money is payable. The expenditures come first; the payments into the Treasury follow.

Whatever complications and useless machinery may be connected with this feature of British finance, we think that it surpasses, in advantage to the Government and to the people, any other known

system. The British Government thus avoids drawing currency from the channels of business, and locking it up in the Exchequer; it avoids checking the circulation of money; it avoids disturbing the payments of trade; it takes up idle capital which would otherwise not be employed; it diffuses this large sum throughout the country, wherever the public payments carry it; it pays interest, sometimes, on the current expenditures, as a measure of relief to the public debtors, and of favor to public creditors, strengthening, at the same time, that public credit on which the measure is founded.

It must not be supposed that the large deposits of the public in the Bank of England detract from this view. These deposits consist to a large extent of credits given by the Bank to the Exchequer, upon the credit of the bills. The Exchequer issues the bills, which are either discounted directly by the Bank, or sold by the latter, and the proceeds carried to the credit of the Government, in its various departments of public expenditure. It is not the money collected which figures, for the most part, as a credit to the public, but the fund which is borrowed. The Bank itself being a continual lender to the Government, by the purchase of Exchequer bills, the public deposits are, in fact, only a credit on the books of the Bank.

As to the question, whether the system of Exchequer bills might have been adopted in this country, and whether during the war it would have accomplished the good which is claimed, there has been much discussion. But we must remember that the system was not wholly rejected. At the beginning of September, 1865, several months after the war had closed, the report of our public debt comprised several items closely resembling the Exchequer bills of Great Britain. We find on the schedule, for example, the temporary loan, amounting to \$107,148,713. Next we find certificates of indebtedness, \$85,093,000. These two forms of floating debt corresponded very nearly to the Exchequer bills. Moreover, there were outstanding legal-tender notes to the amount of \$684,138,949, of which the greenbacks amounted to \$433,160,569; the 5 per cent. legal tenders to \$33,954,230; and the compound interest legal tenders to \$217,024,160. Besides these, we had outstanding three-year seven-thirties to the amount of \$830,000,000. In presence of all these multifarious forms of floating debt, each of which had some analogy to the Exchequer bills, which are really nothing more than Treasury notes bearing interest, it can scarcely be said that we did not try at least to imitate, in our war finance, the English system of Exchequer bills. To this it is replied, that our imitation was imperfect, for two reasons. First, because we did not keep down the aggregate of our floating obligations, and make them subservient to the process of funding our war debt into long bonds. Secondly, because we made a large part of our Treasury notes a legal tender, and thus introduced an element of confusion and depreciation into our finances which was fatal, and might have been by proper care avoided with ease.

## OUR FINANCIAL SITUATION.

THE CONSOLIDATION OF THE NATIONAL BANKS A PUBLIC  
NECESSITY AND A PRIVATE GAIN—A BANK OF  
THE UNITED STATES WANTED.

BY ROBERT MORRIS. NO. 6.

*To the Editor of the Banker's Magazine.*

A brief recapitulation of that part of my former essays relating to this branch of the weighty question which now agitates the country, will not be out of place. The National Bank system has utterly failed to provide a uniform currency. Never was an emptier boast made than this, upon which its advocates still blindly insist. The complaint against the old State banks currency was, that it was subject to local discounts, insomuch that the merchant in making a remittance, and the traveler in paying his fares, found that they were perpetually taxed with brokerage. A bank bill of fifty dollars, good in New York for its face, was taxed one or two per cent. in New Orleans; and a bill of like denomination good in New Orleans was taxed the same in New York. The traveler did not know what his Pennsylvania money would be worth when he reached St. Louis; nor what his St. Louis money would be worth when he reached Boston. The National system superseded this currency by another, founded on the public bonds, and worth precisely the same sum in exchange in Boston as in St. Louis. Here was a *uniform currency*—it cannot be denied. But one material fact was left out of the case: What was (or is) the positive *value* of this uniform currency? How is that value to be ascertained? We shall ascertain it by the same process and the same test that the friends of the National system applied to the old State currencies—that is, by comparison with *gold*. When the old currencies were denounced as subject to discounts, the meaning was that they were not equal to *gold*. If they had been, there would have been no brokerage to pay. In the following example, I place in juxtaposition the price of \$100 of gold in the two currencies, and show what the holder would lose at the end of a journey. I give the old currency at the highest depreciation or tax in brokerage that it ever suffered in a normal condition of the general finances—say three per cent.:

\$100 in gold would then cost in State notes.....	\$103
\$100 in gold would cost in National Bank notes (June, '75) ...	117
Gain in favor of State currency.....	\$14



This example is not susceptible of distortion. It shows the National Bank currency to be worth \$14 less in the purchase of \$100 of gold than the superseded currency of the State Banks was, in an ordinary state of the market. Now what is the ground of felicitation in favor of the National Bank currency? It is this, and nothing more: In the purchase of gold with that currency, the price would be the same in all parts of the country—at New York, St. Louis, Galveston, etc.; the purchaser might give \$117 in notes for \$100 in gold. That is the uniformity. In buying the same amount of gold with State currency, he might give \$101 in Cincinnati, \$102 in St. Louis, \$103 in Galveston—that is *not* uniformity. The Knoxes and the Careys and the Kelleys are welcome to all the comfort they can get out of this case. I grant them the *uniformity*; but it is not uniformity of *value*—it is *uniformity of depreciation*!

I now offer a comparative table running through ten years, in which the brokerage rates are assumed at the maximum. Instead of using the decimal plan of calculation, I employ the more popular method of stating what amount of the respective currencies would be required to purchase \$100 in gold.

Year.	—Average price of gold—		Difference in favor of old State currency.	
	In National Bank Notes.	In State notes assumed at the highest discount.		
1866	..... 147	..... 103	.....	\$44
1867	..... 139	..... 103	.....	36
1868	..... 141	..... 103	.....	38
1869	..... 132	..... 103	.....	29
1870	..... 117	..... 103	.....	14
1871	..... 112	..... 103	.....	9
1872	..... 112	..... 103	.....	9
1873	..... 114	..... 103	.....	11
1874	..... 115	..... 103	.....	12
1875	..... 115	..... 103	.....	12

During these ten years gold could have been bought at an average of 21.4 per cent less in old State currency than in the National Bank currency; and the cost of living would have been so much less than it has been under the national system. By what strange delusion the public mind has been made to accept an obvious fiction for reality, and pay \$21 on every hundred in the cost of living, for the luxury, I leave for friends of the system to explain.

Among the purposes which it was designed that the National Bank system should answer, was that of contributing to the support of the public credit—first, by investing their capital in the bonds; second, by the aid which they would give to commerce as a source of revenue; and third, contingently, by the assistance which they might be able to give in the case of a great emergency like that of war. This has been, *de facto*, the position occupied by the banks of the country ever since the organization of the Government. It was contended that the intimate relation between the banks and the Government, by which public and private credit

are combined and both improved, would be more effectual under a National law than under State laws. So far from this being the case, the opposite condition seems much more likely to accrue from the early, steady, and progressive march of liquidation upon which the banks have entered. It might, indeed, be inferred *a priori*, that over 2,000 different and rival institutions, administered by as many different Boards of Directors, scattered over a vast territory, whose means are absorbed by local interests, would be much less able to exert a combined force for any national purpose, than a smaller number of banks situated in a few cities like New York, Philadelphia and Boston; or than a single bank of large capital like the Bank of England, or France. Financial strength is not a natural product of numerous and small rival interests; but of solidly united interests in close and common alliance. Hence, the National Bank system would be likely to afford the Government a less prompt and efficient arm of help in the great emergency of war, than if the same amount of capital were united in one institution. They could have no such capacity of combining many small or moderate remainders in one sum; nor could they command those great capitals which are accumulated in a country by the prolonged labors and enterprises of trade and manufactures. Finally, it is apparent that the banks which are organized under the National system are, for the greater part, no more than so many private undertakings, formed mainly under the enticements of double interest on the capital invested, through the loans based on circulation, and the interest on the public bonds; and that their administration, directed by the purely selfish motive of individual profit, is inconsistent with the lofty spirit of those grand enterprises and pursuits which constitute the true foundation of national greatness.

The following table, collated from the official reports of the Comptroller of the Currency, shows the number of banks which have gone into liquidation, voluntarily or involuntary, since 1867, and the per cent. of the capital thereof to the whole capital of the system:

	Capital in millions.	Number of banks in vol. liq. and amount.	Per cent. in vol. liq.	Number of banks in Receivers' hands & amount.	Per cent. insolvent.
1867.....	420 ..	14 .. \$2,360,000 ..	.56 ..	10 .. \$1,870,000 ..	.45
1868.....	421 ..	32 .. 5,135,000 ..	1.22 ..	14 .. 2,280,000 ..	.54
1869.....	426 ..	53 .. 8,817,710 ..	2.07 ..	15 .. 2,330,000 ..	.55
1870.....	430 ..	66 .. 10,717,710 ..	2.49 ..	16 .. 2,580,000 ..	.60
1871.....	458 ..	79 .. 12,417,710 ..	2.71 ..	16 .. 2,580,000 ..	.56
1872.....	480 ..	90 .. 14,458,210 ..	3.01 ..	21 .. 4,236,100 ..	.88
1873.....	491 ..	111 .. 15,448,410 ..	3.14 ..	32 .. 8,061,000 ..	1.64
1874.....	494 ..	131 .. 21,058,410 ..	4.26 ..	35 .. 8,311,000 ..	1.68

The progressive increase of capital involved in these failures indicates, not an accidental or superficial, but an inherent, fundamental cause, steadily operative and of bad augury for the future. The system could hardly be said to have become fully organized before 1866. Its adversities began almost immediately, and their

advance has not been arrested for a single year. The total and the percentage of capital is as follows :

1867.....	24	banks with capital.....	\$4,230,000.....	1.01	per cent.
1868.....	46	" " " ".....	7,415,000.....	1.76	"
1869.....	68	" " " ".....	11,147,710.....	2.62	"
1870.....	82	" " " ".....	13,297,710.....	3.09	"
1871.....	95	" " " ".....	14,997,710.....	3.27	"
1872.....	111	" " " ".....	18,694,310.....	3.89	"
1873.....	143	" " " ".....	23,509,410.....	4.78	"
1874.....	166	" " " ".....	29,369,410.....	5.94	"

The gross capital involved in 1874 was within a small fraction of six per cent. of the entire capital of the National banks—a proportion of wreck without parallel in the history of chartered money corporations.

I need not follow this branch of my subject further than to add that the resistance of the National banks, either in Congress or the State Legislatures, to every proposition preparatory to the resumption of specie payments, has so identified them in the public mind with the long continuance of the reign of irredeemable paper money, that to name one is a suggestion of the other; and, doubtless, to this source may be attributed the growing popular distrust of the system. This exposition of its demerits does not proceed from any lack of desire to do it full justice, but from a serious and deliberate judgment, after thorough investigation, that it is not established on scientific grounds. I do not believe that it is necessary or expedient to subvert it; but it is my firm conviction that it is moving with rapid and accelerating pace to its own destruction; and that if timely measures be not taken to arrest this unfortunate course, it will involve the whole country in a general and overwhelming convulsion. The only arrest of this avalanche—the only possible, practicable and practical resort to forestall this calamity, is, in my judgment, the consolidation in one controlling institution, under a special National charter, of so many of these rival banks as their owners might agree thus to unite under one administration. Of the character of this new institution, we have an example, the work of the master financial genius of our country, Alexander Hamilton. While the different state of affairs, and the different existing conditions and circumstances which now surround us, would call for widely different provisions in some respects, there is no doubt that the general draft of his master hand would approximate closely the character of institution required for the present time.

Our financial history, as shown in a former number of the Magazine, covers a period of 84 years (from 1791 to 1875). Forty of those years were under the regime of the two United States banks, viz.: the first from 1791 to 1811; the second from 1816 to 1836. The other part of the period, covering 44 years, was under the regime of the local or State banks, and the Independent treasury.

The latter term of 44 years was signalized by three general suspensions of specie payment, 1814, 1837, and 1857, and by a partial suspension long continued in the Middle, Southern and

Western States, and also by the perpetual recurrence of panics, periods of commercial distress, derangement of the currency, etc.

In the period of 40 years, under the two United States banks, there was not a single suspension of specie payments, but a recovery from an established suspension by the organization of each bank. There were no panics, nor periods of distress, excepting such as lapped over from the other period, and there was a sound, uniform, specie-paying currency.

Is not this period of 40 years the period from which we should draw instruction?

The principal considerations of most consequence with respect to the organization of a new National bank, are *the amount of its capital and the issue of its circulating notes.*

The amount of the capital is not left to our discretion, since it may be a transferred capital already existing. The present system of the National banks may, for the sake of illustration, be considered as one bank, of 500 million dollars capital. The Comptroller of the Currency has more power over the system, and over commerce at large, than any bank President in the country, now or heretofore. The Directors of this Washington Bank, which may truly be called "a monster," are a few or a greater number of politicians in Congress, the Secretary of the Treasury, and the chief clerks of the bureau. It would be a much wiser and more trustworthy method for Congress to incorporate a bank of 500 million dollars capital, and to place it in the hands of our merchants, who are a thousand times more fit, upright, and capable of commercial management in every way than politicians. Such a bank would be worthy of our country, of our great destiny, and our commercial rank in the world. It would be no greater, relatively, than 35 million dollars was in 1816. Its charter and its establishment would fitly "*undershore*" our vast system of credit, which is the crying want of the country. Its issues of paper money should have the public bonds as their security. It should be capable of advancing two-fifths of its capital to the Government. Hear what Hamilton says on several of these, and other mooted points:

"It appears to be an essential ingredient in the structure of a National bank, that it shall be under a *private*, not a *public* direction; under the guidance of *individual interest*, not of *public policy*,—which would be supposed to be, and in certain emergencies, under a feeble or too sanguine administration, would really be, liable to being too much influenced by *public necessity*. The suspicion of this would most probably be a canker that would continually corrode the vitals of the credit of the bank, and would be most likely to prove fatal in those situations in which the public good would require that they should be most sound and vigorous."

"The keen, steady, and, as it were, magnetic sense of their own interests as proprietors, in the directors of a bank, pointing invariably to its true pole, the prosperity of the institution, is the only security that can always be relied upon for a careful and prudent administration. It is, therefore, the only basis on which

an enlightened, unqualified, and permanent confidence can be expected to be erected and maintained."

And *appropos* of the plan of a Government money which is so warmly advocated in some quarters:

"The emitting of paper money by the authority of Government is wisely prohibited to the individual States by the National Constitution; and the spirit of that prohibition ought not to be disregarded by the Government of the United States. Though paper emissions, under a general authority, might have some advantages not applicable, and be free from some disadvantages which are applicable, to the like emissions by the States separately, yet they are of a nature so liable to abuse, and, it may even be affirmed, so certain of being abused, that the wisdom of the Government will be shown in never trusting itself with the use of so seducing and dangerous an expedient."

With respect to the remaining point of limitation of the issues of paper money, Ricardo says: "The quantity can never be too great nor too little while it preserves the same value as the standard." Redemption on demand, and that alone, is its effective limitation. That it is effective is not a matter of opinion, but of demonstration. In a normal condition of our commerce, when the foreign exchanges are at par, any excess of a redeemable currency is immediately arrested by the export of coin. And any excess of credit is arrested in the same manner and by the same logical force.

That a proposition in Congress to charter a National Bank, would rouse from their lair those unreasoning dogs who, having once barked at an object, will never thereafter cease to bark at it, is to be expected. But, the mind that cannot lay aside old bigotries and enmities, and judge from the point of scientific merit of any plan of relief from the disorders under which the nation is now crushed, must be as impervious to truth as it is to reason.

A single word with reference to the absurd proposition implied by the question: "Where will you find men fit to be trusted with the immense power of a National Bank with 500 millions of capital?" Such a height of distrust as that which refuses to delegate necessary powers to men, is a kind of idiocy which had better retire behind the bars of an asylum than venture to take upon itself any functions of social labor. It takes for granted that all men "have their price," according to a low proverb. I prefer to be the victim of a delusion, and to believe that men *may* be upright and honorable against all temptation to theft and villainy, rather than cast so extreme a calumny on my fellow-citizens. The powers of administration *must* be delegated, to the last need of society. To withhold them through fear of their abuse is a very low phase of incompetency. Hamilton says: "If the abuses of a beneficial thing are to determine its condemnation, there is scarcely a source of public prosperity which will not speedily be closed."

I doubt not, some imaginations will be startled at the mere magnitude of the proposition to establish a Bank of the United States with a capital of five hundred million dollars. In fact, I propose

nothing but to take these elements and powers which have failed of their purpose—for everything fails so long as we have not specie payments—I propose nothing but to arrange these on the principle laid down by Hamilton, which has been justified by our experience, and which has no failure recorded against it. To those who fear that a Bank of the United States may be used as a political machine, I point to that political machine already existing, which but a short time since defeated the Committee of Ways and Means in the House of Representatives, when it proposed to levy on the National banks a just and impartial revenue tax. To those who are alarmed at the magnitude of such a bank, I answer, that this is to reduce the magnitude of a bureau that governs, not the banks only, but the trade, commerce,—in short, the whole material economy of the country. A parent institution at New York, with branches in every State, all subject to the same rules of conduct, and accountable according to the usages of commerce for daily reports and proofs, we may assume, will constitute guarantees against criminal abuse, quite as deserving of respect, to say the least, as the formality of an oath and the security of a penal bond.

---

NOTE BY THE EDITOR.—It is of course to be distinctly understood that in giving place to the opinions of contributors, we do not necessarily adopt or indorse their sentiments. The position of the *BANKER'S MAGAZINE* renders proper the presentation of diverse views upon topics of public interest, particularly when such views are advanced by men whose financial experience and ability entitle them to respect. In the foregoing article there is much which we cannot approve. It is not just, for example, to attribute to the National banking system events resulting from the suspension of specie payments, which took place before that system came into existence. The premium on gold in the years subsequent to 1864 would have been no less, but more, had the currency of the country been that of the old State banks instead of National Bank notes. Neither do we consider it fair to impute to the National system all blame for a proportion of liquidating or broken banks which our contributor assumes to be excessive. The banks which have failed have been wrecked, not because they were National banks, but because they were badly managed banks. It was not compliance with the requirements of the National Banking Act which wrought disaster to them, but its evasion, and the greedy grasping at large dividends through unsafe risks. Without doubt the reputed profits upon capital, and the obvious advantage and prestige of a National bank, induced many unfit and inexperienced persons to embark in a business which of all vocations demands experience, prudence, and sagacity. That many such should have foundered in the first financial storm, was inevitable. We do not pretend to assert that the National banking system is free from defects. But we believe that under similar circumstances the aggregate losses to the country during the time referred to would have been greater had the currency been that of the old miscellaneous State banks.

## THE BANK CLERKS' ASSOCIATION OF MISSOURI.

The Fourth Annual Report of this Association is now published, and shows a healthy condition, though not a vigorous growth. Its membership is thus stated by the Corresponding Secretary:

Number of members at last report, 162; new members, 26=188. Death, 1; dropped from rolls, 12; resigned, 3; expelled, 2=18. Present membership, 170, of which 2 are honorary, and 168 active members.

The finances of the Association for the past year are shown by the subjoined report of the Recording Secretary:

Assets May, 1874.....		\$1,899 30
Initiation fees.....	\$ 65 00	
Monthly dues.....	1,052 00	
Interest.....	169 33	
Assessment No. 6.....	302 00	
		<hr/> 1,588 33
		\$3,487 63
Death payment.....	\$ 500 00	
Expense.....	78 88	
		<hr/> \$ 578 88
Balance with Trustees.....	\$ 101 00	
Balance with Treasurer.....	2,807 75	
		<hr/> 2,908 75
		\$3,487 63

The terms of membership provide that any person holding position in any bank or banking house, clearing-house or United States Assistant Treasurer's office in the State of Missouri, shall be eligible. The initiation fee is \$2.50, the monthly dues of each member fifty cents, payable quarterly in advance, and upon the death or permanent disability of a member, an assessment of two dollars is levied on each. Any person may become an honorary member on the payment of ten dollars.

The workings of the Association are well shown by the President's report, which we give in full.

ST. LOUIS, May 24th, 1875.

*To the Members of the Bank Clerks' Association.*

Your Board of Management, in submitting an account of its stewardship, is gratified to be able to report a state of affairs which it feels confident will be satisfactory to its constituents. We have not made astonishing progress, but our steps have still been forward; and (reiterating the sentiment of our last report) when an Association peculiarly composed as ours is, does not retrograde in either membership or funds, it is in a healthy and prosperous condition.

The Corresponding Secretary's report shows our present membership to be 168; an increase of six during the year. The losses

through dropping from the rolls delinquents, have been large, but the accession of new members has more than counterbalanced them.

In the Treasurer's charge is now \$2,807.75, a gain since our last report of \$1,009.45. As predicted a year ago, the interest received has more than paid the current expenses of the Association. Stationery and printing vouchers represent the bulk of our expenditures, which amount altogether to \$78.88. The interest received was \$169.33.

The Board of Trustees is still giving its earnest attention to the proper investment of that famous \$101 which for several years has constituted our "Permanent Fund." We have an abiding faith that they could with equal judgment manage the fund were it a hundred times as large, and regret that the opportunity is not afforded them to justify our belief in their abilities. We have naturally looked to the banks of the city to enlarge this fund, but having utterly failed in one attempt to induce them to make the Association a protégé of theirs we have desisted from further efforts. The time may yet come when the St. Louis banks, emulating the example set by those in New York, will astonish us by a tangible expression of their good will. There is nothing small in a bank's liberality when once it concludes to be liberal.

It may be interesting to members to know that in nearly all the larger cities of the country, Bank Clerks' Associations have been organized; and that of the whole number, so far as can be gathered from annual reports sent us, our own ranks third, being surpassed in membership and funds by the Associations of New York and Philadelphia only. It should be a point of pride with us, St. Louis being the third city of the country, to maintain at least an equivalent position for our own among the Bank Clerks' Associations.

Article XXI of the Constitution debars any officer from receiving remuneration for his services. This prohibition has prevented the Board from testifying in a proper manner its appreciation of the services of the Corresponding Secretary. The proper performance of the duties of his office entails upon him an amount of labor little suspected by those not immediately associated with him in the conduct of the affairs of the Association. The present incumbent has been zealous in his laborious position, influenced simply by his interest in the Association, and without the expectation of any reward save the approval of his associates. This slight tribute the Board cheerfully renders him, and by its unanimous recommendation the President suggests that the Constitution be amended by striking out the Article named, so that in future the laborer may be recognized as "worthy of his hire."

At a meeting of the Association held October 2d, a Committee on Lectures was appointed. It was found to be too late in the season to make any arrangements for last winter, and in consequence the matter dropped. It may be thought advisable to renew the authority then given, that due preparations may be made in time for the ensuing season.



During the year we have lost by death but one member, Mr. H. G. Smith, of Palmyra. Mr. Smith was well known to many of you during his residence in St. Louis, and the manner in which the news of his death was received among his old associates was a sincere tribute to the many merits of the man. Within a few days after his death \$500 was placed in the hands of his widow, being the benefit accruing from his membership with us.

Some inquiries have been made by a Committee of the Board as to the possibility of procuring a long lease upon eligible property with a view of providing thereon permanent rooms for the Association. What information they have obtained will be at the disposal of the incoming Board. The inquiries were simply tentative, and the new Board will not find itself embarrassed thereby. Considering the limited means at our disposal, and the objects to which those funds are sacredly pledged, we trust that our successors will pursue a conservative policy and make haste slowly. A child should not attempt a man's work.

It is to be regretted that meetings of the Association are not more largely attended. In more than one instance no business could be transacted because a quorum was not present. It seems to the Board that on the few occasions when they think it advisable to call a general meeting, interest in the Association should prompt members to attend. If more success in this respect does not meet our efforts, some other plan must be devised for ascertaining the wishes of a majority when it becomes necessary to do so.

It is within the knowledge of many of us that four of the six deaths in our Association since its organization have resulted from consumption or its kindred diseases. This disproportion is not peculiar to ourselves. The reports of the New York Association show that thirty out of their fifty deaths were similarly caused. Now, there is no reason to believe that consumptives naturally drift into the banking business, but individual observation bears out the conclusion we draw from these reports, that labor in banks is productive of a tendency to consumption. In no other line of business, we think, would so alarming a disproportion present itself. These figures indicate the peculiar enemy of bank clerks so plainly that the President feels justified in mentioning it. An abundance of open air exercise, when released from the confinement of the office, will provide the armor most likely to resist his assaults.

During the year the Association expelled two members who had terminated in a dishonorable manner their connection with their respective banks. Bank managers will notice that the Association is an ally of theirs in this regard, and tolerates no defaulters or speculators.

The rooms of Bartholow, Lewis & Co., and the Continental Bank, have been kindly placed at the disposition of the Association when needed. Our thanks are hereby tendered for the courtesy, of which we have availed ourselves on several occasions.

Attention is directed to the reports of officers submitted herewith, showing in detail the operations of the Association.

And, in conclusion, the President for himself returns thanks to all the members for confidence reposed in him, and to the members of the Board for hearty co-operation.

CHAS. R. GOODIN, *President*.

The officers for the ensuing year are the following:

President, Charles R. Goodin; Vice-President, William C. Little; Recording Secretary, F. W. Risque; Corresponding Secretary, B. W. Darby; Treasurer, O. E. Owen.

*Directors*.—P. F. Keleher, T. F. Stoewener, Charles Kern, G. Dachsel, W. W. Bell, C. S. Warner, G. F. Baker, G. D'Oench, J. R. Loker, C. S. Jones, H. B. Alexander, Q. J. Drake.

*Trustees*.—E. P. Curtis, T. J. Bartholow, Wm. Shields, R. H. Dreyer, G. D. Barklage.

---

## NATIONAL BANK CIRCULATION AND LEGAL-TENDER NOTES.

### THEIR ISSUE AND RETIREMENT UNDER THE ACTS OF JUNE 20, 1874, AND JANUARY 14, 1875.

#### LETTER OF THE COMPTROLLER OF THE CURRENCY.

TREASURY DEPARTMENT,  
OFFICE OF COMPTROLLER OF THE CURRENCY,  
WASHINGTON, July 6, 1875. }

SIR: I have received your letter of the 22d ult., requesting a statement of the National Bank circulation issued and redeemed since the passage of the Act of January 14, 1875. Section 3 of this Act authorizes the issue of circulation to banks organized in any portion of the country, subject to the restrictions of the National Bank Act, and also provides for the redemption of 80 per cent. of legal-tender notes upon all additional National Bank notes issued subsequent to that date. Section 4 of the Act of June 20, 1874, provides for the deposit of legal-tender notes with the Treasurer for the purpose of redeeming National Bank circulation, and the surrender of the bonds deposited as security for such circulating notes. Since the passage of the Act of January 14, 1875, sixty-three banks have been organized, with an aggregate capital of \$7,004,000, to which circulation has been issued amounting to \$2,061,250, and additional circulation amounting to \$5,724,275 has been issued to National banks organized previous to that date, making a total of \$7,785,525 of additional National Bank notes issued since the passage of that Act; upon which amount 80 per cent. of the legal-tender notes (\$6,228,420) has been withdrawn from circulation and destroyed.

The total amount of National Bank circulation issued since the passage of the Act of June 20, 1874, is \$11,601,892, during which time \$9,627,066 of National Bank notes have been redeemed and destroyed, leaving an actual increase of circulation, since the passage of that Act, of \$1,974,826. The whole amount of legal-tender notes deposited with the Treasurer, for the purpose of retiring National Bank circulation since the passage of that Act, is \$25,523,057; deposits by banks in liquidation previous to that time were \$3,813,675; making a total of \$29,336,732. Deducting the circulation redeemed with legal-tender notes and destroyed, amounting to \$9,627,066, there remains on deposit with the Treasurer (July 1st), in legal-tender notes for the purpose of retiring circulation, \$19,709,666.

The following summary will answer, in tabular form, the inquiries contained in your letter:

National Bank notes outstanding June 20, 1874.....	\$349,894,182
National Bank notes outstanding January 14, 1875.....	351,861,450
National Bank notes outstanding July 1, 1875.....	351,869,008
Circulation issued since Act June 20, 1874.....	11,601,892
Circulation destroyed and retired.....	9,627,066
Actual increase of circulation.....	1,974,826
Legal-tender notes deposited with Treasurer U. S. since June 20, 1874, for the purpose of retiring Na- tional Bank circulation.....	\$25,523,057
Balance of deposits of banks in liquidation previous to that date.....	3,813,675
Making .....	29,336,732
Less circulation retired and destroyed.....	9,627,066
Leaving, July 1, legal-tender notes deposited with Treasurer by banks retiring their circulation.....	19,709,666
Legal-tender notes withdrawn from circulation, being 80 per cent. upon \$7,785,525, additional circulation issued under Act of Jan- uary 14, 1875.....	6,228,420

I also enclose herewith statements exhibiting, by States, the number of new banks organized from January 14, 1875, to July 1, 1875, together with their capital, and amount of circulation issued; the amount of legal-tender notes deposited monthly, for the same period, for the purpose of redeeming circulation; and an additional table exhibiting by States the amount so deposited. I also enclose a statement of the cash reserve of the National banks at the close of business May 1, 1875, from which it will be seen that the National banks held upon that day \$45,353,335 of cash reserve in excess of the amount required by law.

Very respectfully,

JOHN JAY KNOX, *Comptroller.*

*To the Editor of the Cleveland Leader, Cleveland, Ohio.*

#### BANKS ORGANIZED SINCE JANUARY 14, 1875, TO DATE.

State.	Number of Banks.	Capital.	Circulation issued.
Maine .....	5	\$525,000	\$99,200
New Hampshire.....	1	100,000	45,000
Vermont.....	2	200,000	27,000
Massachusetts.....	8	1,480,000	364,100
Connecticut.....	1	100,000	31,500
New York.....	6	550,000	275,400
New Jersey.....	4	400,000	119,000
Pennsylvania.....	21	2,665,000	765,850
Virginia.....	1	74,000	....
Kentucky.....	2	200,000	31,500
Tennessee.....	1	50,000	36,000
Ohio.....	3	160,000	59,700
Indiana.....	2	150,000	58,500
Illinois.....	2	100,000	54,000
Wisconsin.....	1	50,000	....
Minnesota.....	1	100,000	36,000
Iowa.....	2	100,000	58,500
	63	\$7,004,000	\$2,061,250

## LEGAL TENDERS DEPOSITED FROM JUNE 20, 1874, TO JUNE 30, 1875.

	<i>Insolvent.</i>	<i>Liquidating.</i>	<i>Act June 20.</i>	<i>Total.</i>
June 20 to July 1....	\$106,857	\$127,880	\$870,600	\$1,105,337
July .....	186,693	257,400	2,724,950	3,169,043
August .....	56,125	317,600	2,816,700	3,190,425
September .....	.....	180,000	973,400	1,153,400
October .....	192,042	269,201	526,900	988,143
November .....	154,468	42,500	61,199	258,167
December .....	330,187	131,400	261,200	722,787
January .....	145,219	507,195	1,126,395	1,778,809
February .....	.....	295,550	2,987,550	3,283,100
March .....	57,031	334,912	2,483,505	2,875,448
April .....	.....	276,838	1,984,625	2,261,463
May .....	24,000	275,950	1,337,350	1,637,309
June .....	288,300	426,166	2,385,160	3,099,626
	<u>\$1,540,922</u>	<u>\$3,442,601</u>	<u>\$20,539,534</u>	<u>\$25,523,057</u>

## LEGAL TENDERS DEPOSITED SINCE JUNE 20, 1874, BY STATES.

	<i>Insolvent.</i>	<i>Liquidating.</i>	<i>Act June 20.</i>	<i>Total.</i>
Maine .....	.....	\$41,200	.....	\$41,200
New Hampshire .....	.....	27,400	.....	27,400
Vermont .....	.....	60,500	.....	60,500
Massachusetts .....	.....	96,400	\$395,000	491,400
Rhode Island .....	.....	.....	153,900	153,900
Connecticut .....	.....	27,050	177,700	204,750
New York .....	\$118,400	251,300	6,846,435	7,216,135
New Jersey .....	.....	23,060	297,000	320,060
Pennsylvania .....	.....	248,407	246,700	495,107
Maryland .....	.....	166,600	.....	166,600
District of Columbia...	214,719	.....	.....	214,719
Virginia .....	527,879	77,400	229,600	834,879
West Virginia .....	.....	646,900	90,000	736,900
South Carolina .....	.....	.....	573,580	573,580
Georgia .....	.....	169,000	146,000	315,000
Louisiana .....	271,062	261,000	383,000	915,062
Texas .....	.....	.....	45,000	45,000
Kentucky .....	.....	.....	314,000	314,000
Tennessee .....	.....	148,001	315,259	463,260
Missouri .....	.....	.....	2,813,350	2,813,350
Ohio .....	.....	146,800	127,950	274,750
Indiana .....	62,187	198,995	1,114,200	1,375,582
Illinois .....	195,100	272,800	3,378,530	3,846,430
Michigan .....	.....	27,000	541,300	568,300
Wisconsin .....	.....	183,300	513,100	696,400
Iowa .....	.....	176,888	784,100	960,988
Minnesota .....	.....	.....	693,050	693,050
Kansas .....	78,375	166,100	94,500	338,975
Nebraska .....	.....	.....	40,480	40,480
Colorado .....	.....	26,500	.....	26,500
Utah .....	73,200	.....	196,880	270,000
Montana .....	.....	.....	27,000	27,000
	<u>\$1,540,922</u>	<u>\$3,442,601</u>	<u>\$20,537,534</u>	<u>\$25,523,057</u>

## CASH RESERVE OF THE NATIONAL BANKS, MAY 1, 1875.

	<i>States and Territories.</i>	<i>Cities.*</i>	<i>New York City.</i>	<i>Total.</i>
Cash reserve required....	\$25,400,328	\$28,587,813	\$49,376,434	\$103,364,575
Cash reserve held.....	48,335,851	42,617,406	57,764,653	148,717,910

	<i>States and Territories.</i>	<i>Cities.*</i>	<i>New York City.</i>	<i>Total.</i>
Legal-Tender Notes.....	\$34,414,616	\$25,483,540	\$23,979,103	\$83,877,259
United States Certificates of Deposits.....	790,000	11,975,000	25,890,000	38,655,000
Specie .....	1,217,258	1,497,788	6,683,326	9,398,372
Five per cent. Redemption Fund.....	11,913,977	3,661,078	1,212,224	16,787,279

\* Albany, Baltimore, Boston, Cincinnati, Chicago, Cleveland, Detroit, Louisville, Milwaukee, New Orleans, Philadelphia, Pittsburgh, St. Louis, and Washington.

#### RECAPITULATION.

Cash reserve held.....	\$148,717,910
Cash reserve required.....	103,364,575
Excess.....	\$45,353,335

## THE LAW OF BILLS OF EXCHANGE—EFFECT OF DELAY IN PRESENTING CHECKS.

SUPREME COURT OF ILLINOIS—APPEAL FROM FORD.

*Montelius et al. v. John H. Charles.*

*Held*—That all drafts must be presented to the drawee within a reasonable time, and in case of non-payment notice must be promptly given to the drawer to charge him. But what is a reasonable time must depend on the circumstances of the case.

Banking houses that issue bills of exchange must be understood to do so in accordance with the known custom of the country, that they will be put in circulation for a limited period. The drawer is presumed to assume all risks as to the solvency of the drawee for such reasonable time as the bill shall be kept in circulation.

Opinion of the Court by SCOTT, J.

This action was upon an inland bill of exchange, in the name of a remote assignee against the drawers. One important question is, whether the holders had been guilty of such laches before presenting it to the drawer for payment as would bar a recovery against the drawers. Defendants were engaged in the banking business at Piper City, in this State. On the 8th day of September, 1873, on the application of James McBride, they drew their draft on the Franklin Bank, of Chicago, payable at sight, to the order of John Shank, who then resided in Canton, in Dakota.

It was, on the same day, deposited in the post-office, directed to the payee at Canton, who received it, after some delay, attributable alone to the fault of the mails. Having passed through the hands of several holders, it was presented on the 13th day of October, 1873, to the bank for payment, which being refused, it was protested, and notice given through the post-office to the drawers and the several indorsers. In the meantime the Franklin Bank, on which the draft had been drawn, had failed, and gone into bankruptcy.

The law is settled by an unbroken line of decisions, that all drafts, whether foreign or inland bills, must be presented to the drawee within a reasonable time, and, in case of non-payment, notice must be given promptly to the drawer to charge him.

But what is a reasonable time under all the circumstances, is sometimes a most difficult question. The general doctrine in each case must depend on its own peculiar facts, and be judged accordingly.

In *Strong v. King*, 35 Ill., 9, it was declared to be a general rule, the holder of a sight draft must put it in circulation or present it for payment at farthest on the next business day after its reception, if within the reach of the person on whom it is drawn. In the case at bar the draft was put in circula-

tion, and the point is made, the mere fact it was not presented for payment until after the lapse of thirty-five days is *per se* such *laches*, on the part of the holders, as would discharge the drawers.

In *Muelman v. D'Equino*, 2 H. Black, 565, Eyre, Ch. J., said: "Courts have been very cautious in fixing any time for an inland bill, payable at a certain period after sight, to be presented for acceptance; and it seems to me more necessary to be cautious with respect to foreign bills payable in that manner. If, instead of drawing these foreign bills payable at usance in the old way, merchants choose to draw them in this manner and make the time commence when the holder pleases, I do not see how the courts can lay down any precise rule on the subject. I think, indeed, the holder is bound to present the bill in a reasonable time, in order that the period may commence from which the payment is to take place. The question, what is a reasonable time? must depend on the peculiar circumstances of the case, and must always be for the jury to determine whether *laches* is imputable to the plaintiff."

Buller, J.: "Due diligence is the only thing to be looked at, whether the bill be a foreign or an inland one, and whether it be payable at sight, at so many days after, or in any other manner. But here I must observe that I think a rule may thus far be laid down with regard to all bills at sight, or at a certain time after sight, namely: that they ought to be put in circulation. If they are circulated, the parties are known to the world, and their credit is looked to; and, if a bill drawn at three days sight were kept out in that way for a year, I cannot say there would be *laches*. But if, instead of putting it in circulation, the holder were to lock it up for any length of time, I should say he was guilty of *laches*."

Bills, both inland and foreign, having the quality of negotiability, are intended in some degree to be used as a part of the circulation of the country, and are indispensable in the conduct of extended commercial transactions. They afford a safe and convenient mode of making payments of indebtedness between different points. Banking houses that for a consideration issue such bills, must be understood to do so in accordance with the known custom of the country, that they will be put in circulation for a limited period. If this were not so, their value would be greatly depreciated, and their activity in commercial transactions would be destroyed. Were it understood the purchaser of such a bill was bound to make all possible dispatch to present it to the drawee, or lose his recourse on the drawer, no prudent man would feel safe in taking one. He may know the drawer from whom he purchases the bill and be willing to rely on his responsibility, but in many instances he has and can have no knowledge of the drawer's correspondent, the drawee. Commercial usage has therefore placed the responsibility upon the drawer, and he is presumed, in consideration of the premium paid, to assume all risks as to the solvency of the drawee for such reasonable time as the bill shall be kept in circulation. There can be no doubt if the holder locks it up and keeps it out of circulation, he assumes all risks, and in case the bill is dishonored, his *laches* in that regard would bar a recovery against the drawer. Such bills are not issued with a view to be held as a permanent security, with a continuing liability on the drawer. Illustrative of the law of this branch of the case is *Shute v. Robbins*, 3 C. & P., 80.

The difficulty is to determine for what length of time such a bill may be kept in circulation consistently with a continuing liability on the drawer. The rule adopted, as we have seen, is, it must be presented in a reasonable time under all the circumstances. But courts not unfrequently experience great perplexity in making a distinction between a reasonable time for the presentation of such paper, and *laches* on the part of the holder. Every case differs so essentially in its facts, it has given rise to many apparently contradictory decisions; but through all of them are noticeable the efforts of the courts to ascertain whether the bill was kept in circulation for only a reasonable period, in the regular course of business. When that fact is once established, the liability of the drawer is regarded as continuing. It will be found the decisions differ only in what the various courts deemed reasonable in each particular case.

In *Robinson v. Ames*, 20 Johns, 147, the bill declared on was drawn on the 6th of March, but not presented for payment to the drawees until the 20th of

May. In the meantime the drawees had failed, but in a well-reasoned opinion, the Court came to the conclusion there was no such *laches* as would discharge the drawer.

In *Weldon v. Wheeler*, 20 Tex., 698, the bill in suit was put in circulation and indorsed to defendants without having been presented for acceptance before it came to the hands of the plaintiff;—a little more than a month elapsed before he presented it for payment, and that was declared to be according to usage.

In *Nichols v. Blackmore*, 27 Tex., 586, the Court was of opinion a delay of forty-seven or forty-eight days was not such *laches* as would forfeit the right of the holder to recourse against the drawer in default of payment by the drawees.

Many other cases of the same import might be cited, but these are sufficient for our present purpose. They establish beyond doubt the fact, there is no fixed period in which the bill must be presented for payment, but that each case must be decided on its own peculiar facts in the light of commercial usage.

In the case at bar the bill was immediately put in circulation. It was mailed to the payee, on the day it bore date, to his proper address in Dakota. Some delay occurred, attributable to interruption in the transmission of the mails. But this fact could not be imputed to the payee as *laches*. On the receipt the payee immediately undertook and availed of the first opportunity to negotiate the bill. It was kept in circulation and no delay was suffered other than that incident to the transaction of business in a sparsely populated territory like Dakota. The facts and circumstances proven show no *laches* on the part of any holder that would operate to discharge the drawers.

And from the presumption that will be indulged, the drawers must have known that the bill was liable to be put in circulation for a limited period. The evidence, though conflicting, warranted the Court in finding the draft was sold with the knowledge it was to be sent to the payee in Dakota. That being so, on every principle of justice, waiving all considerations of commercial usage, defendants ought to be held to have taken upon themselves the risk of the failure of the drawee for such reasonable time as it would take the bill to go there and be returned in the usual course of business, all things considered, and to be presented to the drawee at Chicago. We entertain no doubt their obligation is to this extent. It would be absurd to suppose it was within the contemplation of the drawer that the bill was to be sent directly to the drawees at Chicago for payment. The law imposed no such duty upon the party procuring it. He could rightfully send it to his creditor and be guilty of no *laches*.

Our statute has made the record, or a certified copy of the notary public, *prima facie* evidence of the facts therein stated, viz.: of demand of payment and refusal by the drawee, and notice of dishonor to the drawer of "any bill of exchange, promissory note, or other written instrument," by him protested.

This is an inland bill, and whether the notarial protest will be received as *prima facie* evidence of demand of payment on the drawee and notice of dishonor to the drawer, must depend on the construction that shall be given to the statute. At common law, in cases of inland bills of exchange, the notarial protest was not competent evidence of such facts. *Kaskaskia Bridge Company v. Shannon*, 1 Gilm., 15. But our view is, the statute has changed the common law in this particular. By the 10th section it is provided every notary public, whenever any bill of exchange, promissory note, or other written instrument, shall be by him protested for non-acceptance or non-payment, he shall give notice thereof in writing, to the maker and every indorser, and by the 13th section his record of the protest, which he is required to keep, is made *prima facie* evidence of the facts therein stated. Session Laws 1872, p. 584.

Construction cannot make this section of the statute plainer than it is. It must include within its provisions all bills of exchange, whether domestic or foreign, and was no doubt enacted by the Legislature to obviate the difficulties and inconveniences to which the collection of inland bills was subjected at common law under the decisions of the courts. Statutes similar to our own have been enacted in other States, and this construction has been given to

them in their courts of last resort. *Kean v. Von Pheel et al.*, 7 Minn., 426; *Rushmore v. Moore*, 36 N. H., 188; *Simpson v. White*, 40 N. H., 540.

There has been no case decided in this court construing the statute we are considering in this particular. The cases cited are simply declarations of the common law as to the effect of the protest of inland bills. The case of the *Kaskaskia Bridge Company v. Shannon* was decided before the act of 1845, which is the same in substance as the present statute on this subject, was in force. The cases of *Boyd v. Bragg*, 17 Ill., 69, and *McAllister v. Smith*, *id.*, 328, were in relation to protests of bills of exchange in other States, and the provisions of the statute in this particular were not called in question nor in any manner involved in the decision.

It will be seen the Court did not assume to construe this clause of the statute.

The record of the notary who made the protest was properly certified. By the statute it was made competent evidence of the facts therein stated, liable, however, to be rebutted by other competent evidence, and there was therefore no error in the Court admitting it.

No error appearing in the record, the judgment will be affirmed.

Judgment affirmed.

### THE VESTED RIGHTS OF A NATIONAL BANK.

CAN A STATE BANK TRANSFER ITS RIGHT OF ACTION?—In the months of August, 1863, and January, 1864, the Atlantic Bank of Boston (then a State bank) intrusted to its President, Nathaniel Harris, about \$1,600, to be paid to an agent of the bank in St. Louis for services rendered. The President did not pay the agent, who subsequently sued the bank and recovered. Meanwhile the bank (in December, 1864) had become a National bank, and afterward sued Harris to recover the money. The decision of the Massachusetts Court on the case is thus reported by the *Boston Advertiser*:

Two objections were taken to the plaintiff's recovery: First, that the claim was a chose in action of the State bank, and by the change from a State to a National bank this cause of action did not vest in the National bank and enable it to bring an action thereon in its own name; and second, that the action was barred by the statute of limitations. The Superior Court ruled that the action could be maintained; that the action was not barred by the statute of limitations; but that the plaintiff was not entitled to recover interest except from the date of the writ. The defendant alleged exceptions, and the plaintiff also alleged exceptions as to the question of interest. The Supreme Court has now overruled defendant's exceptions and sustained the plaintiff's exceptions as to interest, the case to stand for hearing on the single question of the computation of interest. The rescript is as follows:

1. The right of action passed to the plaintiff on the completion of its organization as a National bank, and under the statute of 1870, chapter 217, it can maintain an action thereon in its own name. 2. There was evidence upon which the presiding judge was warranted in finding that there was a fraudulent concealment of the cause of action by the defendant, and the action was brought within six years from the discovery. 3. The money was obtained by the defendant wrongfully, and wrongfully detained. It was not due him, and he had no right to hold it. Interest should therefore be allowed the plaintiff from the time the money was received by the defendant.



## THE BANKERS' CONVENTION.

Pursuant to the call, as published, some three hundred Bank officers and Bankers from the various States met at Saratoga, New York, on Tuesday, July 20th. The Convention was held in the Town Hall, the delegates appearing promptly at the hour designated, and wearing badges previously distributed.

The meeting was called to order about 11 o'clock by Mr. J. D. Scully, of Pittsburgh, who nominated Mr. C. E. Upton, of Rochester, as temporary Chairman. On motion thereafter, it was resolved that a committee of nine on permanent organization be appointed. The following gentlemen were accordingly chosen: E. C. Breck, of St. Louis; A. P. Palmer, Albany; R. B. Conant, Boston; Morton McMichael, Jr., Philadelphia; George W. Perkins, New York; J. D. Hayes, Detroit; J. L. Leonard, Dallas, Texas; George A. Ives, Chicago; J. W. Lockwood, Richmond, Virginia.

Mr. Cadder, of Philadelphia, then moved that Governor Bigler, the Financial Agent of the Centennial, should be invited to address the meeting on the 21st, but after two proposals of the question, the motion was lost, a very large majority voting against it, on the ground that such business was not pertinent at the moment.

The Committee on Organization reported the following names for permanent officers: Chairman, Charles B. Hall, of Boston; Secretary, James T. Howenstein, of St. Louis; Treasurer, A. W. Sherman, of New York City. The committee likewise recommended that the Vice-Presidents be one from each State and Territory represented in the Convention, to be named by the respective delegates at the opening of the second day's session.

On taking the chair, Mr. Hall made a short speech, thanking the Convention for the honor conferred on him. He accepted the presidency strictly under the call prepared by the committee, noting particularly that section which stated that no political or sectional topic should be introduced into the deliberations. In the course of his remarks, Mr. Hall said:

"We have some annoyances, and perhaps grievances, that we might talk about if it were proper here, and, if you will allow me, I will allude to one or two of them, not with the view of presenting them for discussion by the Convention. One annoyance, not only to the banks, but to the entire business community, is the two-cent stamp. There is not a gentleman, in my opinion, who draws a check, or pays one, but would rather be assessed one hundred times what it costs him for the year than be annoyed with this nuisance of a two-cent stamp, and the whole income to the Government from it is only about a million or from a million to a million and a-half a year. Another grievance of the banks is the War Tax that is upon them. We are laboring under the old War Tax. Everything else was struck off at the time that war taxation generally was removed except this war tax upon the banks. I suppose the reason was, as I stated to a committee in Washington some years ago, that the banks were so modest that they did not even ask, at that time, to have it removed. But I think it is about time for that modesty to pass away. I do not know, gentlemen, why the banks of this country should pay a tax of one-half per cent. on deposits and on capital. The deposits, as you know, are merely checks in the main, deposited by business men making their collections all through the country. The banks take the risk and responsibility of their collection, and sometimes furnish the depositor the money while the checks are on the way for collection, and then pay the Government, for the privilege of doing it, between three and a-half and four millions a year. I don't think we are called upon to do that in fairness to the Government.

"Then there is the tax of one-half per cent. upon capital—capital that is locally taxed in every State and Territory to its fullest extent. In our State it is taxed for all that it will bring in the market. In New York it is taxed,

I am told, three per cent. on the par value of the stock. It is perfectly enormous, and the banks, in my opinion, ought, at the next session of Congress, through their National Executive Committee which they now have, or in some other way, to ask that the act be amended in this respect."

The speaker then turned to the question of specie resumption, saying we all want to get back to it because it is what we seem to need; but he was not one of those who thought that the prosperity of the country depended on its immediate renewal. England had shown that a nation could go on for twenty-seven years prosperously without resuming specie payment after a great war. The question settled itself there, as it will undoubtedly here, in a very natural way. He commended the present system of banking institutions throughout the country, and the act under which they exist, and which will only need occasional amendments in the future to meet exigencies. Mr. Hall's remarks were warmly applauded.

Mr. Upton, of Rochester, said:

"In order to get this Convention into working order, I would suggest that there are some questions before us that are of vital importance to the banking interests of the country. One of the most important is taxation. The local taxation of banks in the State of New York has been so outrageous, that the law was what you might deliberately call nefarious. In certain parts of the State, they would tax capital at fifty cents on the dollar; at another place, twenty-five cents; at another, ninety cents; at another, eighty cents; at another, par; at another, par and surplus; and in that way it was perfectly impossible to do anything according to law, and it was left in great measure to the discretion of the assessors. In the City of Rochester, where I reside, two of the largest banks went out of existence because they could not pay the local tax, and the tax by the Government, and make a living. They went out of existence, and they were two large and long-established banks. There are other important questions. Take the Usury Law of the State of New York to-day. It is a dead letter practically, except to help some miserable rascal to swindle an honest man. A man who wishes to borrow and is willing to pay a good percentage, cannot find a man who is desirous of lending and willing to receive that percentage, for the reason that the law steps in and says it shall not be paid; and so he has to attain his object by paying a commission and allowing somebody else to reap the benefit. Legitimate trade is crippled, and capitalists put their money into bonds and places where it cannot be reached by this taxation."

On motion of Mr. Buell, of New York, a Committee on Resolutions was appointed by the Chair, the following gentlemen being selected:

James Buell, of New York; D. J. Noyes, of Hanover, Mass.; Luther Bodman, of Northampton, Mass.; John Hurst, of Baltimore, Md.; L. J. Gage, of Chicago; J. W. Lockwood, of Richmond, Va.; Daniel L. Printup, of Rome, Ga.; E. Taylor, of Boston; James J. Tarleton, of New Orleans, La.; C. H. Chapin, of Rochester, N. Y.; John D. Scully, of Pittsburgh; Logan H. Roots, of Little Rock, Arkansas.

Mr. Thomas F. McGrew, of Springfield, Ohio, then offered the following resolution, which was referred to the committee for consideration:

*Resolved*, That it is the opinion of this Convention that an act to provide for the resumption of specie payments, approved January 14, 1875, ought to be amended so as to provide for the gradual contraction of all the legal tender circulation, and the time of resumption extended to the 1st of January, 1885, to afford time for the business of the country to adjust itself to the change without a sudden fall of prices.

It was moved that all resolutions be referred to the Committee on Resolutions without debate. A number of resolutions on the subjects of Specie Payments, Usury Laws, and the Redemption of Bills, were referred to the Committee on Resolutions accordingly.

The Convention adjourned till 10 o'clock Wednesday morning.

WEDNESDAY, July 21.—The Convention was called to order by President Hall, who, in pursuance of yesterday's resolution, requested the delegates to select Vice-Presidents from each State and Territory represented. The names reported and approved were as follows: W. H. Foster, Salem, Mass.; L. W. Ballou, Woonsocket, R. I.; J. L. Leonard, Dallas, Texas; E. P. Kimball, Portsmouth,

N. H.; C. E. Prentiss, Washington, D. C.; J. Thomas Smith, Baltimore, Md.; R. J. Baldwin, Minneapolis, Minn.; J. D. Scully, Pittsburgh, Penn.; C. H. Hawkins, Americus, Ga.; S. L. Withey, Grand Rapids, Mich.; Thos. F. McGrew, Springfield, Ohio; R. L. McElhany, Springfield, Mo.; Logan C. Murray, Louisville, Ky.; Josiah Morris, Montgomery, Ala.; W. A. Ridgely, Springfield, Ill.; Charles Whitehead, Trenton, N. J.; F. A. W. Davis, Indianapolis, Ind.; C. E. Houghton, North Bennington, Vt.; Logan H. Roots, Little Rock, Ark.; George F. Baker, New York; R. H. McDaniel, San Francisco, Cal.; J. W. H. Watson, Newport, Del.; T. W. C. Moore, Jacksonville, Fla.; James J. Tarlton, New Orleans, La.; Ezra Millard, Omaha, Neb.; C. W. Fracker, Marshalltown, Iowa; N. B. Van Slyke, Madison, Wis.; William A. Winship, Portland, Me.; G. A. Scoville, Fort Scott, Kan.; W. L. Gilbert, Winsted, Conn.; J. W. Lockwood, Richmond, Va.; H. G. Loper, Charleston, S. C.

The first regular business of the morning was then reached, and Mr. Buell, of New York, Chairman of the Committee on Resolutions, reported the following resolutions:

*Resolved*, That in the opinion of the Convention it should be the effort of every good citizen to hasten the day when every promise of our Government to pay a dollar shall be honestly redeemed in coin.

*Resolved*, That, ten years after the close of the war, the time has arrived when the especially burdensome war tax imposed on banks should be greatly reduced or entirely abolished, as now, in some localities, the national tax, added to the local taxes, aggregates over seven per cent. on working capital.

*Resolved*, That it is the sense of this Convention that Congress should authorize the Treasurer of the United States to furnish coupon bonds in exchange for registered bonds of like tenor and date, on application of the legal owner.

*Resolved*, That the two-cent stamp tax on checks and vouchers bears so vexatiously upon the commercial public, and that the benefit is so inconsiderable, that it ought to be abolished.

Your Committee, having considered the question of a permanent organization, beg to express it as their opinion that such a permanent organization can be made conducive to the interests of the banking system; we therefore recommend, when this Convention adjourns, it adjourn to meet in the City of —, in the summer of 1876, at the call of the committee of nine to be appointed by the Chair. We further recommend that the committee so appointed shall be charged with the duty of designating time and place of such meeting, and of drafting forms for a permanent organization, to be submitted at such adjourned meeting, and that the committee be authorized and requested to invite speakers to address our meeting on designated subjects, and to take such further action as will tend to make the association permanent and effective.

The resolutions were adopted.

Mr. Buell, by special request, reviewed the financial condition of the country briefly. His views on the question of specie resumption were similar to those of President Hall.

On motion of Mr. Hayes, of Detroit, the method of permanent organization was then taken up. Here a long debate ensued on the assessment of members to pay the expenses of this Convention, the final resolve being that each member should be taxed \$ro.

Resolutions were then offered expressing approval of the action of Congress in providing for the Centennial celebration of 1876; and also inviting Governor Bigler, of Pennsylvania, to address the members of the Convention as individuals at 8 o'clock this evening. The resolutions were adopted, and the Convention adjourned until Thursday, 22d, at 10 A. M.

THURSDAY, July 22.—The attendance to-day was comparatively light, many of the delegates having left for home yesterday. The session to-day was long, being chiefly devoted to the following resolutions, which were adopted:

Offered by Mr. George R. Gibson, of Illinois:

*Resolved*, That Usury Laws defeat the object of their institution in plundering instead of protecting borrowers, and that we protest against their continuance, as opposed to the spirit of the time and the requirements of trade.

By Mr. L. C. Murray, of Louisville, Ky.:

*Resolved*, That inasmuch as the law of June 20, 1874, establishing a bureau for the redemption of the circulation of the National banks, will probably be abolished, it is the sense of this Convention that the original law, or a similar one, should be enacted, except to make the sixteen redemption and reserve cities bear the same relation to each other as they now bear to New York.

Referred to Committee on Resolutions.

By Mr. B. B. Northup, of Racine, Wis.:

*Resolved*, That this Convention express its approval of the action of Congress, for the resumption of specie payments in 1879.

By Mr. C. E. Upton, of Rochester:

*Resolved*, That it is the sense of this Convention that free trade in money is for the interest of the business community, and fully as important to the borrower as the lender; and that a committee of three be appointed to report at a future Convention the best method for impressing this sentiment upon the intelligence of the country.

After brief discussion, the resolution was almost unanimously adopted, and the Chair appointed as such committee Messrs. C. E. Upton, of Rochester; Kountz, of Pennsylvania, and Joseph L. Stephens, of Missouri.

The following resolution, offered by Mr. Foster yesterday, in relation to the Usury Laws, was taken from the table and briefly discussed:

*Whereas*, Experience has shown that the retention of Usury Laws in certain States is utterly impracticable for the purpose desired; therefore,

*Resolved*, That this Convention will use every effort, either as a body or as individuals, to get such laws passed by the Legislatures or the Congress of the United States as will allow free trade in money between borrowers and lenders, to be regulated simply by the supply and demand.

The words "as passed by Congress" were stricken from the resolution.

Mr. McGrew, of Ohio, withdrew his resolution to postpone resumption until 1885, saying he had simply introduced it to elicit discussion.

Mr. George R. Gibson, of Illinois, delivered an address in favor of free trade in money, which was well received by the Convention.

The following, offered by Mr. T. F. McGrew, of Ohio, was almost unanimously adopted:

*Resolved*, That the members of this Convention be and are hereby requested to furnish specimens of the coins and bank-note circulation of the United States to the proper committee for exhibition in the Financial Department at the Centennial Exhibition.

The Chairman then announced the following Committee of Nine on Permanent Organization: James Buell, of New York; George F. Baker, of New York; C. E. Upton, of Rochester; M. McMichael, Jr., of Philadelphia; J. T. Smith, of Baltimore; J. D. Hays, of Detroit; L. J. Gage, of Chicago; Joseph L. Stephens, of Brownsville, Mo.; Edward Tyler, of Boston.

After adopting resolutions of thanks to the officers, citizens, press, etc., the Convention adjourned *sine die*, the time and place of the next Annual Convention being left to the Executive Committee.

---

ANOTHER ROBBERY.—At Barre, Vermont, on the night of July 6th, the cashier of the Barre National Bank was roused from sleep by four men, who, after binding and gagging his wife and daughter, haltered and handcuffed him and forced him to go to the bank and open the door. The bank vault having a chronometer lock, which was set to open at nine o'clock in the morning, could not be unlocked, and the robbers secured nothing but \$1,300 in unsigned bills and \$10 in money. They took the cashier back to his house, pinioned him to the floor, and left. He succeeded in freeing himself in about an hour. One of the robbers was subsequently arrested. The notes stolen were seventy-eight of \$10, and twenty-six of \$20, numbered 911 to 936 inclusive. The United States Treasurer has been advised of the robbery and requested not to redeem the notes. No additional ten or twenty-dollar notes will be issued to the bank, and the outstanding notes of these denominations will be retired.

## FLUCTUATIONS OF THE NEW YORK STOCK EXCHANGE—1875.

Compiled by THOMAS DENNY &amp; Co., Stock and Bond Brokers, 39 Wall Street.

(For previous quotations see Banker's Magazine for June, 1875.)

STOCKS.	JANUARY.		FEBRUARY.		MARCH.		APRIL.		MAY.		JUNE.	
	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.
U. S. Six per cts. of 1881, Coupon Bonds	118½	119½	119½	120½	119½	121½	120	123½	123½	124½	125½	126½
“ Five-Twenty of 1862, “	114½	115½	115½	116½	116½	117½	118½	118½	116½	117½	117½	118½
“ “ 1864, “	116	117½	117½	118	117½	118½	118½	121	117½	118½	118½	119½
“ “ 1865, “	118½	119½	119½	120½	119½	120½	121½	121½	119½	120½	121½	122½
“ “ 1865, New, “	117½	119	118½	119½	118½	119½	119	122½	121½	122½	123	124½
“ “ 1867, “	118	119½	119½	120½	119½	120½	119	122½	121½	122½	123	124½
“ “ 1868, “	118	119½	119½	120½	119½	120½	119½	123½	123	124½	124½	125½
“ Ten-Forty Coupon Bonds	115	116½	116½	117½	113½	115½	115½	117½	117	118½	118½	119½
“ Five per cts. of 1881, Coupons	113½	116	116½	117½	114½	115½	114½	117½	115½	117½	117	119
“ Six per cts. Currency	117½	120	119	120	118½	119½	119½	124½	123½	124½	122	122½
Canton Company, Baltimore	58½	64	62	64½	62½	68	62	72	65	68½	62	65½
Delaware and Hudson Canal Company.	110½	118½	110½	114	113	114½	114	121½	119	121½	119½	122
Consolidated Coal Company of Maryland	42	43½	42	43	42	49½	45½	50	46½	49½	44½	47
Quicksilver Mining Company	33	35	32	35	25	33½	18½	26	13	19½	15½	18
“ “ Preferred	40	44	36	40½	30	40	27½	32½	21½	26	21	23½
Mariposa Land and Mining Company.	3½	8	5	7½	3½	6½	3½	8	6½	7½	5	12½
Western Union Telegraph Company	70½	79½	70½	75½	73½	78½	76½	80½	71½	80½	71½	79½
Pacific Mail Steamship Company	33½	36½	30½	37½	34½	45½	41½	45½	32½	45	31½	42
Adams Express Company	98	100½	99	102	101½	104½	101	104	101½	103½	99½	101
Wells, Fargo & Co. Express Company.	79½	83½	84	87½	85½	88½	87½	92½	87	92½	75	86
American Express Company	62	65½	63	64½	63½	64	63½	64½	63½	64½	50	64½
United States Express Company	57	63	56½	60½	57½	61½	51	64	50	56	42	51
N. Y. Central and Hudson River R. R.	100½	102½	101	102½	100	103	100½	105½	100	107½	100½	104½

Erie Railway.....	28	30 1/4	26 3/4	29 1/4	26 1/4	35 1/4	28 1/4	32 1/4	17	30 3/4	12 1/4	18 1/4
" Preferred.....	51	53	..	..	42	50	42 1/4	44	25	41	20	24 1/4
Harlem Railroad.....	127	128 1/4	127 1/4	129 1/4	128 1/4	131	130	138	133	137	130 1/4	135
N. Y., New Haven and Hartford R. R.	133	137	137 1/4	138 1/4	138 1/4	139	139	140	140 3/4	144	142	145
Michigan Central Railroad Company..	78	82 1/4	70 1/4	78 1/4	74	78 1/4	73	76	63	72 1/4	63	70
Lake Shore and Michigan Southern R. R.	72 1/4	80 1/4	72 1/4	75 1/4	72 1/4	75 1/4	70 1/4	75 1/4	57 1/4	72 1/4	57	65
Panama Railroad Company.....	110 1/4	115	111	113 1/4	111	119 1/4	118	172	122	165	129 1/4	135
Union Pacific Railroad Company.....	36	38 1/4	38 1/4	41 1/4	40 3/4	68 1/4	63 1/4	78 1/4	71 1/4	78 1/4	69	79 1/4
Illinois Central Railroad Company.....	97	102	100 1/4	102 1/4	100	103	101 1/4	106 1/4	100 1/4	105 1/4	100 1/4	103
Cleveland and Pittsburgh Railroad Co.	88 1/4	93	90	92 1/4	90 3/4	92 1/4	91 1/4	94 1/4	88 1/4	94 1/4	87 1/4	91 1/4
" Col., Cin. and Ind. Railroad.	63 1/4	71	63 1/4	65 1/4	60	65	60	62 1/4	46	62	50	53
Chicago, Rock Island and Pacific R. R.	102 1/4	104	102 1/4	105 1/4	102 1/4	106 1/4	102 1/4	106 1/4	100 1/4	105 1/4	100 1/4	104 1/4
Pittsburgh, Ft. Wayne and Chicago R. R.	93 1/4	98 1/4	97 1/4	98 1/4	96 1/4	99	96	98	97 1/4	99 1/4	96 1/4	100
Chicago, Burlington and Quincy Railroad	109	110 1/4	103 1/4	109	105 1/4	113 1/4	112 1/4	119	112 1/4	113	112 1/4	115
" and Alton Railroad Company..	104 1/4	105 1/4	102 1/4	107 1/4	100	103 1/4	103	108	104	107	101 1/4	103
" " Preferred..	..	..	110	112 1/4	104 1/4	106	108	112	110	111	106	108
" " and Northwestern Railroad Co.	43 1/4	48 1/4	39 1/4	47 1/4	38 1/4	46 1/4	41 1/4	45 1/4	37 1/4	42 1/4	35 1/4	41 1/4
" " " Pref.	56 1/4	62 1/4	51 1/4	60 1/4	50 1/4	59 1/4	53 1/4	58 1/4	52 1/4	55 1/4	47 1/4	55
" " Milwaukee and St. Paul R. R.	36	39 1/4	32 1/4	38 1/4	32 1/4	38 1/4	36 1/4	40	32	38	28 1/4	35 1/4
" " " Pref.	57	59 1/4	51	58 1/4	51	57	56 1/4	59 1/4	54 1/4	59	51 1/4	56 1/4
Toledo, Wabash and Western R. R. Co.	14 1/4	21 1/4	10	17 1/4	11 1/4	18	14 1/4	16 1/4	8 1/4	14 1/4	4 1/4	10
St. Louis and Iron Mountain R. R. Co.	25	27	20	24 1/4	20	20 1/4	17	23 1/4	20	22 1/4	18 1/4	20
Pacific Railroad Company of Missouri..	46	51 1/4	44 1/4	48 1/4	44 1/4	49 1/4	47 1/4	55	49	55	48 1/4	51 1/4
St. Louis, Kansas City and N. R. R. Pref.	24 1/4	24 1/4	..	22 1/4	25 1/4	25 1/4	28	44 1/4	36	43 1/4	38	40
Atlantic and Pacific Railroad, Preferred	14 1/4	17 1/4	12 1/4	15 1/4	13	15	13 1/4	18	14 1/4	17 1/4	14 1/4	16
Del., Lackawanna and West. R. R. Co.	106 1/4	108 1/4	108 1/4	110 1/4	110 1/4	112 1/4	110 1/4	123	116 1/4	120 1/4	117	121 1/4
Alton and Terre Haute Railroad.....	..	..	8	8	7	7	7	8	7	8	..	..
" " " Pref....	25	27	26	26	26	26 1/4	25	27	24 1/4	25 1/4	..	..
Morris and Essex Railroad Company.....	95	96	95 1/4	97 1/4	97 1/4	100	100	103 1/4	101	102 1/4	99 1/4	103 1/4
New Jersey Central Railroad Company.	104 1/4	107 1/4	107 1/4	109	109 1/4	113	110	120	108 1/4	114	107	113 1/4
Rome, Watertown and Ogdensburg R. R.	..	..	73 1/4	73 1/4	69	73 1/4	..	..	..	..	..	..
Rensselaer and Saratoga Railroad Co....	..	..	111	111	..	..	111	111 1/4	..	..	..	114
Ohio and Mississippi Railroad Company.	26 1/4	32 1/4	24	29 1/4	24 1/4	29 1/4	26 1/4	29 1/4	21 1/4	27 1/4	21 1/4	24 1/4
Hannibal and St. Joseph Railroad.....	18 1/4	26	19 1/4	22 1/4	20 1/4	29	24 1/4	29	20 1/4	25 1/4	20 1/4	24
" " " Pref.	28	34 1/4	27 1/4	30 1/4	28 1/4	37 1/4	30 1/4	35	28	31 1/4	30	30
Col., Chicago and Ind. Central Railroad	8	9 1/4	4 1/4	8 1/4	5	6 1/4	5 1/4	7	4 1/4	6 1/4	3	5

## BANKING AND FINANCIAL ITEMS.

**The Third Edition** of the **BANKER'S ALMANAC AND REGISTER** for 1875 is now issuing from the press. Its lists of banks, bankers and bank officers are revised and corrected to August 1st. These lists are subject to changes so unceasing and so numerous, that those whose correspondence is of any importance find it sound economy to consult habitually the newest edition of the work. Copies will be forwarded from this office to any address in the United States and Canada, upon the receipt of the price, Three Dollars.

**CALLS OF FIVE-TWENTY BONDS.**—The twenty-first call for the redemption of 5-20 bonds of 1862, was issued on June 24th, for \$5,000,000, payable September 24 1875. All the amount called is in coupon bonds, numbers both inclusive, viz.:

\$50—No. 21,001 to No. 21,700 .. \$500—No. 319,01 to No. 34,000  
\$100—No. 59,101 to No. 64,500 .. \$1000—No. 91,501 to No. 96,900

The twenty-second call was issued on July 14th. It is for \$10,000,000, redeemable October 14, 1875, coupon bonds, fourth series, act of Feb. 25, 1862, viz.:

\$50—Nos. 21,701 to 23,500 .... \$500—Nos. 34,001 to 38,200  
\$100—Nos. 64,501 to 75,000 .... \$1,000—Nos. 96,901 to 108,000

The calls now outstanding are:

18th.....	\$5,000,000	expires	Aug. 1
19th.....	5,000,000	do	Aug. 15
20th.....	10,000,000	do	Sept. 1
21st.....	5,000,000	do	Sept. 24
22d.....	5,000,000	do	Oct. 14

**MR. CHARLES A. MACY**, long known in financial circles, died at his residence in this city on July 21st. Mr. Macy was born in Nantucket in 1807. Coming to New York in his thirteenth year, he began his business career as an errand boy in the office of a commission merchant. He married a daughter of Mr. Benjamin Corlies, and shortly afterward went into business with his father-in-law, in the firm of Corlies, Haydock & Co.

When the New York County Bank was established, Mr. Macy was elected President of that institution, but resigned when the Park Bank was organized, to accept its cashiership. He remained cashier of the Park Bank until 1863, when, in connection with Mr. Howes, who was its President, he went into the private banking business under the firm name of Howes & Macy. As a bank officer, Mr. Macy possessed great executive ability, and his judgment in matters of finance was held in high esteem by his associates.

The failure of his banking firm, during the panic of 1873, weighed heavily upon him, and no doubt hastened his death. During the past two years Mr. Macy was manager of the banking department of the house of Messrs. Corlies, Macy & Co.

**CALIFORNIA.**—The Union National Gold Bank, at Oakland, opened for business on July 1st, taking the commercial department of the Union Savings Bank. This new bank has a capital of \$100,000, gold, and will be under the management of A. C. Henry, President, and H. A. Palmer, Cashier. The Union Savings Bank has elected J. West Martin, President, *vice* Mr. Henry, resigned, and H. A. Palmer, Vice-President and Treasurer.

**COLORADO.**—Mr. Jacob Snider, of the firm of Collins, Snider & Co., Denver, was murdered on May 20th, at his home in Georgetown. He leaves an estate estimated at over \$350,000. The interest of Mr. Collins in the Denver firm is to be increased by the admission of his son in his father's stead.

**CONNECTICUT.**—Mr. Henry Higby, a well-known citizen of Bridgeport, whose death is chronicled on another page, was formerly President of the Farmers' Bank, and for eleven years President of the Connecticut National Bank of Bridgeport. He was also President of the Bridgeport Savings Bank from 1870 until the time of his death. Mr. Higby was highly esteemed for his rare probity and uprightness of character, as well as for his promptness and accuracy as a business man.

**CONNECTICUT.**—A new holiday law has been passed by this State. All obligations falling due on any legal holiday, or on the following day when the holiday comes on Sunday, are now payable the preceding secular day.

**DISTRICT OF COLUMBIA.**—Bankers desiring to find a prompt and careful correspondent at Washington, are referred to the card of Messrs. H. E. Offley & Co., in the **BANKER'S DIRECTORY**, at end of this number.

**ILLINOIS.**—The First National Bank of Atlanta has been organized with a capital of \$50,000. The officers are John A. Hoblit, President; C. C. Aldrich, Vice-President, and Frank Hoblit, Cashier. The business of the banking firm of Frank Hoblit & Bros. is merged into that of the new bank.

**AN UTTER BANKRUPTCY.**—The history of the Rockford, Rock Island and St. Louis Railroad Company, as summed up in the *Chicago Tribune*, shows one of the most extraordinary cases of complete bankruptcy on record. On the 15th of June, 1868, a first mortgage on the road was made, no part of the road being constructed at that time. The mortgage covered a projected road from Rockford to Sterling, which was to be the first grand division of the entire line. After \$273,000 of the \$5,000,000 worth of bonds had been issued a new issue of \$4,000,000 was decided upon, the entire amount of both issues to be secured by a mortgage upon the whole line, this being known as the consolidation mortgage. Of the first issue of bonds all are outstanding except one of \$1,000, and interest amounting to \$1,287,068 is due upon them. All of the second issue are outstanding, with interest due amounting to \$1,047,426. The floating debt amounts to about \$400,000. Thus the total debt is about \$11,733,494, while the assets all told amount to about \$1,000,000. It has been decided in court that the first bonds are entitled to priority as a lien on so much of the road as the original mortgage covered. The road is not adapted to be sold in pieces, and, therefore, the interests of bondholders are somewhat complicated. Neither set, however, will receive more than a mere fraction of their investment, for if the road sells for a million there will have to be deducted \$50,000 awarded by the master to the Trustees and counsel, and the floating debt, which is for wages and other current expenses. This showing makes the average value of the bonds about five cents on the dollar, those of the second issue being worth even a less sum, while the interest due is entirely lost. The process by which the immense sum of \$11,000,000 has been annihilated is not explained.

**KANSAS.**—At a meeting of the stockholders of the Citizens' Bank of North Topeka, held June 21st, it was voted that the paid capital of the bank be increased to \$100,000, the assessment to be payable within thirty days. Among the stockholders present at the meeting were Mr. A. C. Burnham, of Champagne, Ill., Messrs. Vanneman and Reid, of Richmond, Ind., and Oswin and Cassius Wells, of Hartford, Ct.

**BOSTON.**—The stockholders of the new Metropolitan National Bank have completed its organization. At a meeting of the Directors, Mr. S. W. Richardson was elected President, and Mr. S. D. Loring, Cashier. The capital of the bank is \$500,000, all of which has been subscribed, and 50 per cent. paid in July 19. Business will be commenced at once in the rooms formerly occupied by the North National Bank on Devonshire street, which have been leased until the completion of new banking rooms on Brattle street.



IOWA.—Mr. Hoyt Sherman, brother of General W. T. Sherman, has been appointed assignee of B. F. Allen's estate. Mr. Sherman is reputed to be one of the best business men and financiers in that State.

**BANK DIVIDENDS.**—In our July number (page 70) we answered the shallow criticism of a Boston daily paper, which charged that no bank under any fair management could earn a dividend of eight per cent. half-yearly. Commenting upon our remarks, a cashier long and well known throughout the West, thus corroborates their justness:

"I like your reply to it, and would add that I should be loth to acknowledge that I was only 'half-human,' or that I had used any unfair means in the course of my duties in the institution to which I have the honor to be attached as one of the management, having always had in view the rights of others as well as the restrictions of law.

"Since my connection with the Merchants' Branch of the State Bank of Iowa, which covered a period of nearly six years, the bank declared in dividends 112 per cent., and on consolidation with the Davenport National Bank an extra dividend of 50 per cent., making in all 162 per cent. in a little over five years. In the ensuing ten years the dividends of this bank have amounted to 136 per cent., and it now makes regular semi-annual dividends of 8 per cent., paying all taxes, etc., in addition."

This is but one of many instances showing the results of prudent and skillful banking, which is well defined as "the science of using other people's money to the best advantage."

ST. LOUIS.—The subjoined statement of the condition of the banks in the city of St. Louis, on the first day of July, 1875, has been compiled from public and private statements, by Mr. E. Chase, Manager of the Clearing-House:

	<i>Capital and Surplus.</i>	<i>Savings and Time Deposits.</i>	<i>Demand Deposits.</i>	<i>Loans and Discounts.</i>	<i>Cash and Exchange.</i>
7 National banks.....	\$7,601,553	\$1,202,781	\$9,494,256	\$11,433,094	\$6,187,862
31 State banks.....	10,469,014	11,241,668	14,374,348	28,815,128	7,376,461
38 banks in Clearing-House.....	18,070,567	12,444,449	23,868,604	40,248,222	13,564,323
18 " not in ".....	1,439,448	2,999,187	1,834,876	5,061,776	978,562
56 banks aggregates.....	19,510,015	15,443,636	25,703,480	45,309,998	14,542,885
60 " " " 1 Jan., 1875.....	19,892,761	17,876,295	25,639,677	48,688,239	11,990,286
Decrease last 6 months.....	382,746	2,432,659	.....	3,378,241	.....
Increase " " ".....	.....	.....	63,803	.....	2,552,599

The 7 National banks have deposited \$1,342,850 bonds, as security for \$1,079,080 circulation. On July 1st, 1874, their amount of bonds was \$4,107,800, and of circulation \$3,625,470, showing a decrease in circulation of over 2½ millions. The aggregate of Exchange on Eastern cities, Chicago and New Orleans, purchased by the banks from January 1 to July 1, 1875, was \$132,812,322, an increase of about 11 millions over the first half year of 1874.

OHIO.—Mr. Lester S. Hubbard, President from its organization in 1864 of the Second National Bank of Sandusky, died in that city on Sunday, July 11th. Mr. Hubbard was born in Windsor, Connecticut, in 1807. His early manhood was passed in New York city in mercantile business. In 1834 he removed to Sandusky, and in 1855 he became associated with Messrs. F. T. Barney and William Durbin in the banking business, under the firm name of Barney, Hubbard & Durbin, afterward Hubbard & Co. As a banker Mr. Hubbard's management was always successful, and his judgment in business matters rarely at fault.

SOUTH CAROLINA.—The South Carolina Bank and Trust Co., at Columbia, suspended on July 2d. A letter to the *Charleston Courier* thus alludes to the failure:

The State is in for \$205,000. The assets of the bank are said to be \$400,000, liabilities \$300,000. Among the assets are about \$130,000 due by the State to Hardy Solomon for public documents of various sizes and values, of which the I O U's of the public institutions are not a few. On the street to-day

he said, in effect, that "embarrassments in carrying State papers and the public institutions was the cause of his suspension, but that not a single private depositor should lose a dollar, that he would pay everybody that he owed." This break does not seem to affect him personally. He is still rich and runs a large commercial business.

**WEST VIRGINIA.**—A new bank has been organized at Wheeling, under State charter, called the Bank of the Ohio Valley, succeeding to the business of the First National Bank of Wheeling, which has gone into voluntary liquidation. The new bank begins business with a capital of \$250,000, and \$100,000 surplus. Its management will be under the officers of the First National, viz.: John K. Botsford, President; George Adams, Vice-President, and M. A. Chandler, Cashier.

**CANADIAN BANK OF COMMERCE.**—The annual meeting of this bank was held at Toronto on July 13th, and was largely attended by the shareholders and friends of the institution. The profits for the year ending June 30th, after deducting expenses and providing for bad and doubtful debts, were \$743,067, which, with the balance of \$7,373 on hand from the previous year, placed \$749,441 at the disposal of the Directors. Out of that amount two half-yearly dividends of five per cent. each were paid; \$10,000 transferred to reserve for rebate of interest, \$35,396 reserved for accrued interest on deposit receipts, and \$100,000 added to Rest account—leaving \$4,044 at the credit of Profit and Loss account. The Rest account now stands at \$1,900,000, and the paid-up capital of the bank is \$6,000,000.

**Merchants' Bank of Canada.**—The annual meeting of shareholders was held at the bank building at Montreal, on July 5th. The report of Directors presented the following statement of the business during the year ending 31st May, 1875: Contingent fund from last year, \$32,505; profits of year, \$1,634,272; total, \$1,666,777. From which are deducted working expenses, \$308,326; interest paid and reserved, \$341,743; leaving a balance of \$1,016,708, out of which have been paid dividends, January and July, 1875, \$719,162; written off against possible losses, \$150,000; leaving at credit of contingent account \$147,545. The paid-up capital is now \$8,102,046; the Rest stands at \$1,850,000; the net profits for the year, after providing for losses, were \$834,202.

Resolutions were passed expressing the thanks of the meeting to the President, Vice-President and Directors; and also to the General Manager and other officers of the Bank for the efficient discharge of their respective duties. The election of a new Board of Directors then ensued, and the following gentlemen were declared duly elected, viz.: Sir Hugh Allan, Hon. J. Hamilton, Damase Masson, Andrew Allan, W. F. Kay, Hector McKenzie, Adolph Roy. At a subsequent meeting of the Board Sir Hugh Allan and the Hon. John Hamilton were elected President and Vice-President respectively.

**The Bank of Toronto.**—The nineteenth annual general meeting of shareholders of this bank was held in June. The reports showed that after paying twelve per cent. in dividends, the profits of the year's business were such as to admit the transfer of \$70,000 to the Rest account. That fund now amounts to \$1,000,000, which is equal to 50 per cent. on the capital.

The resignation of Mr. G. Hague, the efficient Cashier, was accepted with regret. It was resolved to present Mr. Hague with a testimonial of \$4,000, in whatever form he might choose to suggest.

**Bank of British North America.**—The thirty-ninth half-yearly general meeting held June 1st, in London, was a satisfactory one. Ten per cent. dividends have been declared, and the Rest, or undivided net profits, has been increased to £240,322.18. The policy of leaving to the Canadian managers a larger discretion in the local management of the bank, seems to have proven successful and profitable.

**MR. THOMAS FYSHE**, recently one of the New York agents of the Bank of British North America, has been appointed agent of the Bank of Nova Scotia at St. John, N. B.

**CONSOLIDATION OF BANKS.**—The final arrangements have been concluded for uniting into one concern the City Bank of Montreal and the Royal Canadian Bank of Toronto. The new bank will have a capital of four million dollars.

*Another.*—The act of the Canadian Parliament providing for the amalgamation of the Niagara District Bank with the Imperial Bank of Canada, was ratified by the shareholders of the latter bank on June 21st.

**AN ASSOCIATION OF COUNTERFEITERS.**—The following communication from the Secretary of State is a warning to all bankers:

DEPARTMENT OF STATE,  
WASHINGTON, July 21, 1875. }

*His Honor the Mayor of the City of New York:*

SIR: I have the honor to inform you that a note has recently been received from the British Minister at this capital, accompanied by a copy of a communication, addressed by the Governor of the Bank of France to the Governor of the Bank of England, in which it is stated that there is an association of counterfeiters, with headquarters at Barcelona, who have already placed a quantity of counterfeit twenty-franc notes in circulation, and likewise counterfeit gold pieces of the value of twenty and twenty-five francs each (Napoleons, jabelinos, and sovereigns). The association, it is said, are now preparing to issue, on a gigantic scale, Bank of England notes and 1,000-franc notes of the Bank of France, which notes, to the value of \$12,000,000, are to be taken to New York, where a single banker is to see to their emission. The notes of the Bank of France are to be put in circulation at London and Frankfort, through the medium of bankers.

The person who made the disclosures says he has seen these notes, and that the paper of the counterfeit is identical with that made by the Bank of England. These facts are communicated to you, with the request that you will give the matter such consideration as you may deem proper. I have the honor to be, sir, your obedient servant,

HAMILTON FISH.

## TREASURY DECISIONS.

### THE STAMP TAX UPON DRAFTS, DRAWN IN THE UNITED STATES, UPON A FOREIGN BANK OR BANKER.

TREASURY DEPARTMENT, OFFICE OF INTERNAL REVENUE, }  
WASHINGTON, June 30, 1875. }

In Decision No. 177, dated April 12, 1875, "concerning the stamp tax upon bank checks, drafts, orders or vouchers," etc., it was held that "drafts or bills drawn in the United States upon a foreign country need not be stamped, not being 'vouchers' in the meaning of the law, while in this country." This ruling is, from and after this date, reversed.

The statute in question, section 15 of the act of February 8, 1875, imposes the stamp tax of two cents upon every "bank check, draft, order or voucher for the payment of any sum of money whatsoever, drawn upon any bank, banker, or trust company."

Drafts, bills, checks or orders drawn in the United States on a bank, banker or trust company in a foreign country, although perhaps not "vouchers" while in this country, appear to me to be clearly taxable under the terms of the statute. They are drafts, checks, or orders, drawn upon a bank, banker or trust company, and there is nothing in the law limiting to this country the locality of the bank, etc., upon which the paper is drawn.

Collectors will at once notify the banks, bankers and trust companies in their several districts, of this change of ruling, and will require the payment of the stamp tax, on the instruments referred to, from and after this date.

D. D. PRATT, Commissioner.

## CHANGES OF PRESIDENT AND CASHIER.

*(Monthly List; continued from July No., page 73).*

JULY, 1875.

	<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
CAL. ..	Union Savings Bank, Oakland.	J. West Martin, <i>Pr...</i>	A. C. Henry.
" ..	Bank of Butte County, Chico.	Harmen Bay, <i>Pr....</i>	G. C. Perkins.
CONN. ..	Connecticut N. B., Bridgeport.	D. H. Sterling, <i>Pr...</i>	H. Higby.*
" ..	National Bank of Norwalk....	Stiles Curtis, <i>Pr.....</i>	E. Hill.
" ..	Willimantic Tr. Co., Williman's	Allen Lincoln, <i>Pr....</i>	G. S. Moulton.
D. C. ...	Citizens' Nat. Bk., Washington	Wm. N. Roach, <i>Cas...</i>	W. E. Weygant.
ILL. ...	First Nat. Bank, Springfield..	N. W. Matheny, <i>Pr...</i>	J. Williams.
" ..	Mechanics' Nat. Bank, Peoria..	Wm. H. Magee, A. C. H. P.	P. Ayres.
IND. ...	First Nat. Bank, Indianapolis..	Jas. L. Slaughter, <i>Cas.</i>	J. C. New.
" ..	Merchants' N. B., New Albany	E. C. Hangary, <i>Cas...</i>	S. Woodruff.*
" ..	First National Bank, Wabash..	J. S. Daugherty, <i>Pr...</i>	A. Pawling.
IOWA. ...	First National Bank, Marion...	J. W. Bowdish, <i>Cas...</i>	A. W. Crandell.
" ..	Pella National Bank, Pella....	P. H. Bousquet, <i>Pr...</i>	J. Rosiersz.
KY. ...	Ex. B. & Tob. W. H. Co., L'sville	Hector V. Loving, <i>Pr...</i>	C. F. Harvey.
" ..	Farmers' Nat. Bank, Richmond	John Bennett, <i>Pr....</i>	C. F. Burnam.
" ..	National Bank of Somerset....	J. M. Perkins, <i>Pr....</i>	M. Elliott.
LA. ....	New Orleans National Bank...	William Palfrey, <i>Cas.</i>	J. H. Pike.
MASS. ...	Hopkinton Nat. B., Hopkinton	E. J. Jenks, <i>Cas.....</i>	W. E. Jenks.
" ..	Millbury Nat. Bank, Millbury.	A. Armsby, <i>Cas.....</i>	F. C. Miles.
" ..	Newton Nat. Bank, Newton...	C. Franklin Bacon, <i>Cas.</i>	D. Kingsley.
" ..	Northboro' N. B., Northboro'.	O. H. Lawrence, <i>Cas.</i>	A. W. Seaver.
MICH. ...	First Nat. Bank, Centreville...	Daniel F. Wolf, <i>Pr...</i>	C. T. Chaffee.
MINN. ...	Second National Bank, St. Paul	G. R. Monfort, <i>Cas...</i>	D. A. Monfort.
MO. ...	Bank of St. Joseph, St. Joseph.	George C. Hull, <i>Cas.</i>	G. A. Prey.
N. H. ...	Ashuelot National Bank, Keene	Geo. A. Wheelock, <i>Pr.</i>	T. M. Edwards.
" ..	*Indian Head Nat. Bk., Nashua	F. A. McKean, <i>Cas...</i>	J. G. Kimball.
N. J. ...	First National Bank, Camden..	John F. Starr, <i>Pr....</i>	J. Livermore.
" ..	" " " " " " " " " " " "	Chas. C. Reeves, <i>Cas.</i>	J. H. Stevens.
" ..	Millville Nat. Bank, Millville..	Ed. H. Stokes, <i>Cas...</i>	T. E. Mulford.
" ..	North Ward Nat. Bank, Newark	A. Somerville, <i>A. Cas.</i>	G. Roe.
N. Y. ...	Hanover N. B., New York City	C. H. Hamilton, <i>Pr...</i>	W. H. Scott.
" ..	Merchants' Nat. Bank, Albany	R. Van Rensselaer, <i>Pr.</i>	J. Tweddle.*
" ..	Troy City National Bank, Troy	J. B. Pierson, <i>Pr.....</i>	H. Green.
" ..	First National Bank, Ellenville	J. Bing Childs, <i>Cas...</i>	C. Ver Nooy.
" ..	Fort Stanwix Nat. Bank, Rome	George Barnard, <i>Cas.</i>	S. Wardwell.
OHIO. ...	First Nat. Bank, Barnesville...	Francis Davis, <i>Pr...</i>	J. Bradford.
" ..	" " " " " " " " " " " "	G. E. Bradfield, <i>Cas.</i>	Ellis P. Lee.
" ..	First Nat. Bank, Wellsville...	James W. Reilly, <i>Pr...</i>	A. Smith.
PENN. ...	Seventh Nat. Bk., Philadelphia	Charles S. Close, <i>Pr...</i>	D. B. Ervin.
" ..	Far. & Mech. Bk., " " " "	Samuel W. Bell, <i>Cas...</i>	W. Rushton, Jr.
" ..	Downingtown National Bank..	Jos. C. Downing, <i>Cas.</i>	J. R. Downing.
" ..	First Nat. Bank, Gettysburgh..	Robert Bell, <i>Cas...</i>	H. S. Benner.
" ..	Greenlane Nat. Bk., Greenlane	Michael Alderfer, <i>Pr.</i>	J. Welker.
" ..	First National Bank, Milton...	John M. Caldwell, <i>Cas.</i>	S. D. Jordan.*
" ..	Argyle Savings Bank, Petrolia	S. S. Avery, <i>Cas...</i>	G. W. Thumm.
" ..	Far. & Mech. N. B., Phenixville	J. Theo. F. Hunter, <i>C.</i>	N. Evans.
" ..	First National Bank, Strasburg	Joseph McClure, <i>Pr...</i>	J. T. Herr.
" ..	York County Nat. Bank, York.	D. F. Williams, <i>Pr...</i>	P. A. Small.
R. I. ...	Weybosset Nat. B., Providence	Ollys A. Jillson, <i>Cas...</i>	W. R. Greene.
S. C. ...	S. C. Loan & Tr. Co., Charleston	E. Horry Frost, <i>Pr...</i>	G. S. Cameron.*
VA. ...	People's Nat. Bank, Norfolk..	James E. Barry, <i>Pr...</i>	J. Peters.
Wis. ...	First National Bank, Eau Claire	G. S. Thompson, <i>Cas.</i>	W. A. Rust.

\* Deceased.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

*(Monthly List; continued from July No., page 74.)*

<i>Place and State.</i>	<i>Name of Bank.</i>	<i>N. Y. Correspondent.</i>
ILL. ... Apple River..	Bank of Apple River.....	Chatham National Bank.
" ... Atlanta .....	First National Bank .....	Importers & Traders' Nat. B.
" ... Chenoa.....	Haynes, Jordan & Co.....	Third National Bank.
" ... Ipava.....	Bank of Ipava.....	Importers & Traders' N. B.
" ... Rock Falls...	E. Brookfield .....	Third National Bank.
IOWA. Perry.....	G. W. Blakeslee .....	Corbin Banking Co.
" ... Shenandoah ..	Cole, Swain & Co. ....	Chemical National Bank.
KY. ... Warsaw .....	Warsaw Deposit Bank ....	(None.)
MASS. ... Boston.....	Metropolitan National Bank .....	.....
" ... Westminster ..	Westminster National Bank .....	.....
MICH. Vassar.....	North & Noble.....	Ninth National Bank.
MO. ... Kansas City..	Kansas Stock-Yard Bank..	Metropolitan National Bank.
" ... St. Louis.....	Baker & Aull.....	Donnell, Lawson & Co.
NEB. ... Fairmont .....	E. B. Branch & Co.....	First National Bank, Chicago.
" ... Humboldt.....	Humboldt Bank .....	Valley Nat. Bank, St. Louis.
N. Y. ... New York City	Commercial Bank.....	(44 Pine street.)
OHIO. ... Martin's Ferry	Ohio City Bank.....	.....
" ... Franklin .....	Farmers' National Bank... ..	.....
PENN. ... Ashland .....	Citizens' National Bank ...	.....
" ... Pittsburgh ...	Smithfield National Bank..	Importers & Traders' Nat. B.
" ... Tarentum .....	First National Bank.....	.....
TEXAS. Navasota.....	Citizens' Bank.....	Reid & Smith, 211 Pearl st.
VA. ... Danville .....	Border Grange Bank.....	(None at present.)
W. VA. Wheeling ....	Bank of the Ohio Valley...	Fourth National Bank.
WYO. ... Cheyenne .....	Stebbins, Wilbor & Co.....	Kountze Brothers.

## DISSOLVED, DISCONTINUED, OR CHANGED.

*(Monthly List, continued from July No., page 75.)*

- IOWA. Smith & White, *Atlantic*; now Henry F. White.  
 " McCarthy, Hartshorne & Brown, *Emmelsburg*; now M. L. Brown.  
 KY. ... Halliday & Co., *Columbus*; discontinue banking and collection business.  
 MINN. Plainview Bank, *Plainview*; succeeded by E. Eddy.  
 N. J. ... Gregory & Hyde-Clarke, *Jersey City*; now Hyde-Clarke & Co.  
 N. Y. E. A. Green, *Sodus Point*; succeeded by E. W. Gurnee & Co.  
 " Ninth Ward Bank, *New York City*; re-organized as Island City Bank.  
 " Swenson, Perkins & Co., *New York City*; diss., suc. by S. M. Swenson.  
 " Egert & Hale, *Ogdensburg*; now C. G. Hale.  
 OHIO. First National Bank, *Millersburgh*; succeeded by Bank of Millersburgh.  
 PENN. German-American Bank, *Pittsburgh*; suspended.  
 " Smithfield Savings Bank, *Pittsburgh*; succeeded by Smithfield Nat. Bank.  
 " Allegheny Homestead Bank and Metropolitan Bank, *Pittsburgh*; amalgamated as the Metropolitan National Bank.  
 " Diamond Savings Bank, *Pittsburgh*; now Diamond National Bank.  
 TEXAS Doddridge, Lott & Co., *Corpus Christi*; now Doddridge & Davis.  
 " James Arbuckle & Co., *Jefferson*; closing banking business.  
 W. Va. First National Bank, *Wheeling*; succeeded by Bank of Ohio Valley.  
 WIS. ... National City Bank, *Milwaukee*; in liquidation.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS,

Authorized June 24 to July 20, 1875.

No.	Name and Place.	President and Cashier.	Capital.	
			Authorized.	Paid.
2280	Citizens' National Bank, Ashland, PENN.	J. H. Hoover.....	\$60,000	
2281	Smithfield National Bank, Pittsburgh, PENN.	George H. Helfrich. Edward P. Jones....	200,000	\$36,000
2282	Farmers' National Bank, Franklin, OHIO.	William W. Scott. David Adams.....	50,000	100,000
2283	First National Bank, Atlanta, ILL.	J. S. Stoutenborough. John A. Hoblit.....	50,000	37,500
2284	Westminster National Bank, Westminster, MASS.	Frank Hoblit. Daniel C. Miles .....	100,000	50,000
2285	First National Bank, Tarentum, PENN.	William Mayo. J. S. McCartney.....	50,000	52,600
		John F. Humes.		50,000

## THE PREMIUM ON GOLD AT NEW YORK,

JUNE—JULY, 1875.

1874.	Lowest.	Highest.	1875.	Lowest.	Highest.	1875.	Lowest.	Highest.
April ....	11 $\frac{3}{4}$	14 $\frac{3}{8}$	June 24 ..	17 $\frac{1}{8}$	17 $\frac{1}{4}$	July 9 ..	16	16 $\frac{3}{8}$
May ....	11 $\frac{1}{8}$	13 $\frac{1}{8}$	.. 25 ..	17 $\frac{1}{8}$	17 $\frac{3}{8}$	.. 10 ..	15 $\frac{3}{8}$	16 $\frac{1}{2}$
June ....	10 $\frac{1}{2}$	12 $\frac{1}{4}$	.. 26 ..	17 $\frac{1}{8}$	17 $\frac{1}{4}$	.. 12 ..	15 $\frac{3}{8}$	15 $\frac{1}{8}$
July .....	9	10 $\frac{3}{8}$	.. 28 ..	17	17 $\frac{1}{8}$	.. 13 ..	15 $\frac{1}{4}$	15 $\frac{1}{8}$
August ..	9 $\frac{1}{4}$	10 $\frac{1}{4}$	.. 29 ..	17 $\frac{1}{4}$	17 $\frac{1}{4}$	.. 14 ..	14 $\frac{3}{8}$	15 $\frac{1}{8}$
September	9 $\frac{1}{4}$	10 $\frac{1}{4}$	.. 30 ..	16 $\frac{1}{8}$	17 $\frac{1}{4}$	.. 15 ..	14 $\frac{3}{8}$	15
October ..	9 $\frac{3}{4}$	10 $\frac{3}{8}$	July 1 ..	16 $\frac{3}{8}$	17 $\frac{1}{8}$	.. 16 ..	14 $\frac{3}{8}$	15
Nov. ....	10	12 $\frac{3}{8}$	.. 2 ..	17	17 $\frac{1}{8}$	.. 17 ..	14 $\frac{3}{8}$	14 $\frac{3}{8}$
Dec. ....	11 $\frac{1}{8}$	12 $\frac{3}{8}$	.. 3 ..	17	17 $\frac{1}{8}$	.. 19 ..	13 $\frac{3}{8}$	14 $\frac{3}{8}$
1875.			.. 5 ..	Holiday.		.. 20 ..	13 $\frac{1}{4}$	14 $\frac{1}{8}$
April ....	14	15 $\frac{1}{2}$	.. 6 ..	17	17 $\frac{1}{8}$	.. 21 ..	12 $\frac{3}{8}$	13 $\frac{1}{4}$
May .....	15	16 $\frac{3}{8}$	.. 7 ..	16 $\frac{1}{2}$	17 $\frac{1}{8}$	.. 22 ..	12 $\frac{3}{8}$	13
June .....	16 $\frac{1}{4}$	17 $\frac{3}{8}$	.. 8 ..	15 $\frac{3}{8}$	16 $\frac{1}{4}$	.. 23 ..	11 $\frac{3}{4}$	12 $\frac{3}{8}$

UNUSUAL COLLATERAL.—Bankers in New South Wales are given apparently to investments in "floating capital" which would hardly be deemed legitimate here. A letter in the San Francisco *Alta California* thus describes a remarkable case tried at the Sydney Criminal Sessions, which resulted in the conviction of a shipbuilder named Macquarrie, and Bridge, his foreman, of a new crime. "It appears that Macquarrie, head and ears in debt, gave a bill of sale over a steam launch to his bankers, who placed a clerk in possession on a day when Macquarrie was giving some friends a trip in her. The bank allowed the trip to take place, their officer accompanying it. On returning at night, Macquarrie and Bridge, after endeavoring to obtain forcible possession of the steamer, made the engineer pile on the fires, take off the side lights, jump ashore, and cast the bank clerk adrift, under a full head of steam, in a crowded part of the harbor. Fortunately he knew something about steering, and after dashing around the shipping for an hour, his cries for help brought an engineer alongside, who raked out the fires, and avers that had the solitary voyager let any water into the boiler it would have burst instantly. The perpetrators of this offense got off with three months each."

## PUBLIC DEBT OF THE UNITED STATES.

*Recapitulation of the Official Statements (cents omitted).*

## DEBT BEARING INTEREST IN COIN.

	June 1, 1875.	July 1, 1875.
Bonds at six per cent. ....	\$1,131,516,500 ..	\$1,100,865,550
Bonds at five per cent. ....	590,632,750 ..	607,132,750
	<u>\$1,722,149,250</u> ..	<u>\$1,707,998,300</u>

## DEBT BEARING INTEREST IN LAWFUL MONEY.

Certificates of indebtedness at 4 per cent. ....	\$ 678,000 ..	\$ 678,000
Navy pension fund at 3 per cent. ....	14,000,000 ..	14,000,000
	<u>\$14,678,000</u> ..	<u>\$14,678,000</u>
Debt on which interest has ceased. ....	7,375,810 ..	11,425,820

## DEBT BEARING NO INTEREST.

Old demand and legal-tender notes ....	\$ 377,135,722 ..	\$ 375,841,687
Certificates of deposit .....	55,345,000 ..	58,415,000
Fractional currency .....	43,615,773 ..	42,129,424
Coin certificates .....	19,910,600 ..	21,796,300
	<u>\$ 496,007,095</u> ..	<u>\$ 498,182,411</u>
Total debt .....	\$ 2,240,210,155 ..	\$ 2,232,284,531
Interest .....	33,864,530 ..	38,647,556
Total debt, principal and interest. ....	<u>\$ 2,274,074,686</u> ..	<u>\$ 2,270,932,088</u>

## CASH IN THE TREASURY.

Coin. ....	\$ 84,251,602 ..	\$ 79,854,410
Currency .....	4,358,107 ..	3,973,951
Special deposit held for redemption of certificates of deposit, as provided by law..	55,345,000 ..	58,415,000
	<u>\$143,954,710</u> ..	<u>\$142,243,361</u>
Debt, less cash in the Treasury, June 1, '75	\$ 2,130,119,975 ..	.....
Debt, less cash " " July 1, '75	.....	<u>\$ 2,128,688,726</u>
Decrease of debt during the past month..	\$1,189,456 ..	\$1,431,249
Decrease of debt since June 30, 1874....	12,968,265 ..	14,399,514

## BONDS ISSUED TO THE PACIFIC RAILWAY COMPANIES, INTEREST PAYABLE IN LAWFUL MONEY.

Principal outstanding .....	\$ 64,623,512 ..	\$ 64,623,512
Interest accrued and not yet paid .....	1,615,587 ..	1,938,705
Interest paid by the United States .....	26,264,102 ..	26,264,102
Interest repaid by transportation of mails, &c.	6,116,596 ..	6,134,311
Balance of interest paid by the U. S. .	<u>\$ 20,147,505</u> ..	<u>\$ 20,129,791</u>

## NATIONAL BANKS OF THE CITY OF NEW YORK.

## ABSTRACT OF REPORTS

Made to the Comptroller of the Currency, showing the condition of the National Banks of the City of New York, at the close of business, May 1, 1874, and June 30, 1875.

<i>LIABILITIES.</i>		<i>May 1, '74. 48 Banks.</i>	<i>June 30, '75. 48 Banks.</i>
Capital stock paid in.....	\$68,500,000	....	\$68,500,000
Surplus fund.....	22,438,473	....	22,632,917
Undivided profits.....	12,260,639	....	11,322,980
National bank notes outstanding.....	27,211,105	....	19,230,641
State bank notes outstanding .....	115,706	....	92,747
Dividends unpaid.....	622,481	....	1,611,352
Individual deposits .....	193,088,433	....	200,295,753
U. S. deposits .....	473,365	....	206,532
Deposits of U. S. Disb'g Officers.....	16,684	....	—
Due to National banks.....	75,526,263	....	72,249,470
Due to State banks and bankers.....	24,991,493	....	37,891,903
Bills payable.....	799,595	....	175,500
Aggregates.....	\$426,044,241	....	\$424,209,298
<i>RESOURCES.</i>			
Loans and discounts.....	\$205,693,294	....	\$202,899,488
Overdrafts .....	360,993	....	364,334
U. S. bonds to secure circulation.....	33,823,100	....	26,156,100
U. S. bonds to secure deposits .....	650,000	....	650,000
U. S. bonds on hand.....	4,813,750	....	6,608,350
Other stocks, bds. and mortgages.....	5,148,259	....	9,990,503
From other National banks.....	11,964,530	....	14,167,308
From State banks and bankers.....	2,473,247	....	1,494,607
Real estate, furniture, &c .....	8,498,426	....	9,355,662
Current expenses.....	1,130,901	....	311,503
Premiums paid.....	1,608,936	....	1,443,458
Checks and other cash items.....	2,278,295	....	1,936,551
Exchanges for clearing-house.....	72,649,937	....	68,211,007
Bills of other National banks .....	3,361,081	....	3,428,176
Bills of State banks .....	1,241	....	875
Fractional currency .....	274,284	....	296,281
Specie .....	24,984,942	....	13,665,195
Legal-tender notes.....	20,199,021	....	25,731,431
U. S. certificates of deposit.....	26,130,000	....	36,095,000
Five per cent. redemption fund.....	—	....	1,130,149
Due from U. S. Treasurer, other than preceding .....	—	....	273,315
Aggregates .....	\$426,044,241	....	\$424,209,298



## LIABILITIES OF TWENTY-SEVEN STATE BANKS OF THE CITY OF NEW YORK,

June 26th, 1875, as shown by their Official Quarterly Statements, with date of Charter of each.

Com- menced.	Name.	Capital.	Net Profit.	Circulation.	Due Banks.	Due Depositors.	Dividends Payable.	Dividends.	Totals.
1799.	Manhattan Company.....	\$ 2,050,000	\$ 1,201,400	\$ 9,700	\$ 1,091,200	\$ 4,935,700	Feb. & Aug.	\$ 12,000	\$ 9,300,000
1812.	Bank of America .....	3,000,000	2,116,900	1,200	1,734,500	5,541,500	Jan. & July	74,500	12,468,000
1830.	Greenwich Bank.....	200,000	210,500	2,700	12,500	776,600	May & Nov.	400	1,193,700
1850.	Pacific Bank.....	422,700	383,700	—	—	2,235,000	Do.	1,500	3,042,900
1851.	People's Bank.....	230,100	230,100	5,500	84,300	1,179,500	Jan. & July	3,700	1,915,000
1851.	Bank of North America	412,500	131,400	—	713,600	1,651,800	Do.	400	3,559,200
1852.	Nassau Bank.....	1,000,000	124,500	3,900	90,200	1,740,100	May & Nov.	5,100	2,963,800
1852.	Corn Exchange Bank ..	1,000,000	660,800	4,900	69,000	1,720,900	Feb. & Aug.	700	3,456,300
1853.	Oriental Bank.....	300,000	352,400	4,000	—	1,135,700	Jan. & July	500	1,792,600
1851.	Grocers' Bank.....	300,000	81,600	—	16,100	561,000	Do.	—	960,700
1821.	North River Bank.....	400,000	38,400	—	51,100	1,026,200	Do.	—	1,515,700
1859.	Man. & Merchants' Bank	300,000	42,600	700	84,300	595,100	Do.	400	1,023,100
1870.	German-American Bank	1,000,000	105,700	—	240,000	4,084,000	Feb. & Aug.	—	5,429,700
1870.	Dry Goods Bank.....	1,000,000	35,600	—	366,400	1,514,700	Jan. & July	—	2,966,700
1854.	Bull's Head Bank.....	200,000	14,100	6,000	—	692,400	Do.	2,200	914,700
1869.	West Side Bank.....	200,000	67,600	—	—	1,163,100	Do.	—	1,430,700
1867.	Eleventh Ward Bank ..	200,000	23,800	—	—	520,700	Do.	—	744,500
1869.	Germania Bank.....	200,000	58,000	—	—	911,200	Do.	800	1,170,000
1869.	Man. & Builders' Bank	450,000	35,300	—	—	695,300	Do.	—	1,180,600
1869.	Harlem Bank.....	100,000	13,200	—	34,200	311,900	Do.	1,100	460,400
1866.	Gold Exchange Bank ..	500,000	111,300	—	—	—	Do.	—	611,300
1870.	Murray Hill Bank.....	200,000	18,900	—	25,600	474,600	Do.	1,000	720,100
1871.	Bank of the Metropolis	500,000	61,300	—	372,700	1,388,600	Do.	500	2,373,100
1870.	Ninth Ward Bank.....	100,000	3,000	—	15,000	142,000	May & Nov.	—	260,000
1872.	Produce Bank.....	250,000	6,900	—	—	493,500	Jan. & July	100	750,500
1871.	German Exchange Bank	200,000	29,400	—	76,600	696,100	Do.	400	1,002,500
1875.	Grand Central Bank ..	100,000	2,400	—	35,300	352,000	—	—	489,700
Totals, June 12, 1875		\$ 15,585,200	\$ 6,265,800	\$ 38,600	\$ 5,112,600	\$ 36,539,200		\$ 105,300	\$ 63,646,700
" March 27, 1875		16,650,600	6,074,800	37,900	4,686,100	31,705,100		96,300	59,250,800

## RESOURCES OF TWENTY-SEVEN STATE BANKS OF THE CITY OF NEW YORK,

*As shown by their Official Quarterly Statements, June 26, 1875.*

Names.	Loans & Discounts	Stocks, Bonds & Mortgages.	Real Estate.	Due from Banks.	Cash Items & Bank Notes.	Specie.	Legal Tenders.	Over- Drafts.	Totals.
Manhattan Company .....	\$ 7,054,300	\$ 25,000	\$ 304,800	\$ 369,100	—	\$ 187,600	\$ 1,358,900	\$ 300	\$ 9,300,000
Bank of America .....	7,348,700	770,000	156,600	404,600	\$3,000	801,200	2,983,300	1,500	12,468,600
Greenwich Bank .....	969,600	47,600	16,000	107,800	—	—	52,700	—	1,193,700
Pacific Bank .....	1,855,300	5,000	100,900	137,300	—	7,100	937,300	—	3,045,900
People's Bank .....	1,366,100	110,800	65,200	133,900	26,000	400	218,100	100	1,915,600
Bank of North America .....	2,723,400	41,200	200,000	107,300	—	44,400	441,400	1,500	3,559,200
Nassau Bank .....	2,233,200	4,000	220,000	243,700	—	23,100	239,800	—	2,993,800
Corn Exchange Bank .....	2,603,500	256,400	110,500	83,200	—	35,800	360,900	—	3,456,300
Oriental Bank .....	1,448,000	64,500	55,800	70,100	—	4,400	149,700	100	1,792,600
Grocers' Bank .....	730,500	5,000	25,700	83,100	—	7,000	109,400	—	960,700
North River Bank .....	1,255,600	5,300	97,100	192,200	—	16,300	117,600	1,600	1,515,200
Manufacturers and Merchants' Bank .....	630,500	95,600	6,000	83,900	—	2,200	294,300	600	1,023,100
German-American Bank .....	3,275,600	9,900	—	390,000	14,100	189,000	1,550,900	200	5,429,700
Dry Goods Bank .....	2,251,800	67,000	2,500	215,500	28,100	16,700	381,000	4,000	2,966,700
Bull's Head Bank .....	584,200	52,000	97,500	104,000	—	—	76,200	800	914,700
West Side Bank .....	1,123,900	19,100	5,500	198,700	—	—	87,500	—	1,430,700
Eleventh Ward Bank .....	507,900	36,800	40,500	16,900	—	—	81,800	600	744,500
Germania Bank .....	879,200	104,000	9,000	183,300	—	1,600	84,400	1,300	1,170,600
Manufacturers and Builders' Bank .....	900,300	194,000	15,300	65,900	5,000	—	—	—	1,180,600
Harlem Bank .....	337,400	35,600	16,900	42,500	—	—	27,800	200	460,400
Gold Exchange Bank .....	521,000	32,700	—	57,600	—	—	—	—	611,300
Murray Hill Bank .....	576,600	38,000	—	76,000	3,800	—	25,400	300	720,100
Bank of the Metropolis .....	1,776,500	122,000	14,600	186,300	—	700	202,000	21,000	2,323,100
Ninth Ward Bank .....	164,300	—	15,900	59,800	5,100	—	14,900	—	260,000
Produce Bank .....	601,400	5,000	—	33,100	—	—	111,000	—	750,500
German Exchange Bank .....	778,700	5,000	—	16,900	151,900	800	48,800	400	1,002,500
Grand Central Bank .....	316,400	65,100	4,900	74,900	6,900	—	21,400	100	489,700
Totals, June 12, 1875 .....	\$44,673,900	\$ 2,123,100	\$1,581,900	\$ 3,737,600	\$ 244,000	\$1,328,300	\$ 9,913,300	\$ 34,600	\$ 63,646,700
Totals, March 12, 1875 .....	45,741,500	1,569,200	1,617,800	3,071,200	32,800	756,500	6,442,100	19,700	59,250,800

## NOTES ON THE MONEY MARKET.

NEW YORK, JULY 23, 1875.

*Exchange on London at sixty days' sight, 4'86½ a 4'87. in gold.*

The National Convention of Bankers held its first Annual Session at Saratoga, 20th inst., and its proceedings are reported at length on another page. The organization has been made a permanent one, and when its official report of the meeting is published we shall probably have some further remarks to offer upon it. Such an organization has long been needed, and the approach of specie payments, with other circumstances affecting our financial condition, render a union among the banks, private, State and National, of more indispensable importance than ever before.

The ease of the money market continues, the rates being 2 per cent. for call loans, with exceptions at 1½ per cent. The prevailing rates for prime paper are 4 a 4½, with exceptional transactions at 3½ for choice names. There is still considerable discrimination against long loans, though somewhat less than some months ago, as the difficulty increases of employing the idle funds which have accumulated in bank. The Clearing-House statement of the New York banks shows that the total of the legal tenders held by the banks amount to \$73,796,300, which shows a surplus of reserves above the 25 per cent. required by law amounting to \$28,053,550. The aggregates are as follows:

1875.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Exchanges.
June 28....	\$276,707,800 ..	\$8,847,000 ..	\$71,491,500 ..	\$19,016,500 ..	\$235,768,000 ..	\$424,699,407
July 5....	279,397,200 ..	13,824,600 ..	73,832,100 ..	18,982,500 ..	245,796,700 ..	478,902,380
" 12....	280,866,800 ..	16,937,300 ..	70,661,200 ..	18,854,800 ..	250,405,200 ..	378,125,183
" 19....	279,558,800 ..	16,964,900 ..	73,795,300 ..	18,801,600 ..	250,826,600 ..	385,945,719

The Boston Clearing-House statements compare as follows:

1875.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.
June 28.....	\$129,191,200 ...	\$621,900 ...	\$8,442,300 ...	\$21,310,700 ...	\$74,391,200
July 5.....	130,513,700 ...	1,593,200 ...	8,293,800 ...	24,524,400 ...	78,904,500
" 12.....	131,548,800 ...	2,039,400 ...	7,770,600 ...	24,915,000 ...	79,306,300
" 19.....	132,356,000 ...	1,791,400 ...	8,216,400 ...	25,068,100 ...	77,781,600

The Philadelphia statements are as follows:

1875.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
June 28.....	\$61,146,632 ...	\$124,915 ...	\$15,274,860 ...	\$49,810,685 ...	\$10,842,123
July 5.....	61,546,139 ...	264,570 ...	15,080,736 ...	50,615,810 ...	10,824,497
" 12.....	61,022,475 ...	330,860 ...	15,015,081 ...	49,365,079 ...	10,865,318
" 19.....	61,314,919 ...	300,348 ...	14,901,163 ...	50,263,691 ...	10,924,713

At the Stock Exchange the volume of business has been small, as most of the leading dealers are out of town. Governments are lower and unsettled in consequence of sympathy with gold. The transactions are small, and there is less demand from Europe. In the State bonds little is doing, but prices are well sustained. Missouri is a firm at 102, and Tennessees at 50. Railroad bonds are

more active, and the prominent issues of the best roads are advanced from a good demand for investment. In railroad shares there is abundance of speculative excitement, based, in part, on the advance of breadstuffs, and the large crops expected through the West. Gold closes dull, but less weak. On gold loans, the rates range from 1 per cent. for borrowing to 2 per cent. for carrying. Foreign exchange is weaker, in consequence of the ample supply of commercial bills arising from grain shipments. The ease of money in London contributes also to depress the rates of exchange. It has often been remarked by the dealers in foreign bills, that a supply of grain bills depresses quotations more than the same amount of bills created by exports of some other commodity. The reason probably is, that the grain bills are usually so held that they must be realized upon at once, and cannot be held back from the market save in exceptional cases. The Exchange transactions done to-day have been chiefly at 4.86 for sixty days sterling, and 4.89 for short sight. Subjoined are our usual quotations:

QUOTATIONS:	June 28.	July 2.	July 9.	July 16.	July 23.
Gold.....	117½ ..	117 ..	116¾ ..	114¾ ..	112¾ ..
U. S. 5-20s, 1867 Coup.	12. ¼ ..	12 ..	121½ ..	120¾ ..	118¾ ..
U. S. new Fives Coup.	118¾ ..	119 ..	118¾ ..	117¾ ..	114¾ ..
West. Union Tel. Co.	76¾ ..	79¾ ..	80¾ ..	79¾ ..	80¾ ..
N. Y. C. & Hudson R.	102¾ ..	102¾ ..	102¾ ..	103¾ ..	104 ..
Lake Shore.....	61¾ ..	58¾ ..	59½ ..	59¾ ..	61 ..
Chicago & Rock Island	103¾ ..	103¾ ..	104 ..	104¾ ..	105¾ ..
New Jersey Central...	112¾ ..	110 ..	111¾ ..	109¾ ..	110 ..
Erie.....	14¾ ..	14¾ ..	15¾ ..	14¾ ..	14¾ ..
Bills on London.....	4.87a4.87½ ..	4.87a4.87½ ..	4.86¾a4.87½ ..	4.86¾a4.87½ ..	4.86¾a4.87 ..
Treasury balances, cur.	\$ 52,862,978 ..	\$ 54,529,635 ..	\$ 54,248,220 ..	\$ 53,781,217 ..	\$ 56,214,164 ..
Do. do. gold	40,990,938 ..	38,524,988 ..	36,227,210 ..	34,135,758 ..	32,552,096 ..
Money on call.....	2a2½ ..	2¾a3 ..	2a2½ ..	1a2 ..	1¾a2 ..
" on discount...	3½a5½ ..	3½a5½ ..	3½a5½ ..	3½a5½ ..	3½a5½ ..

The chief topics of interest are the fall of gold and the corresponding decline of Government bonds. To-day gold sold at 111¾, which is the lowest point struck since the inflation law of January 14th was passed. The sudden fall in gold is ascribed to several causes. Prominent among them are, the cessation of the export of the precious metals, and the breaking up of the speculative clique which has been operating for an advance. This clique seems suddenly to have collapsed, and the gold market has not only been without speculative support, but the decline of the premium has also been more rapid in consequence of short sales. The general impression is that gold will be lower next fall, and that the recent advance of gold to 117½ was due rather to speculative influences than to legitimate causes. With respect to the cessation of the export of gold, it is due to the fact that the European stocks of the precious metals have been fully replenished, and that the demand for breadstuffs abroad will enable us to adjust our foreign balances by exporting produce and other commodities, so that little gold will probably be sent abroad for several months to come.

Some discussion has arisen from the announcement that the Secretary has been buying silver with the proceeds of twenty millions of bonds issued and sold to the Syndicate for that purpose. Several questions have been raised which are scarcely worthy of examination; others, however, are more important. The point has been made, for example, that Mr. Bristow has no right to increase the debt for any purpose whatsoever; and since the selling of the twenty millions of bonds has certainly added so much to the aggregate of the funded debt, the addition, it is claimed, was unlawful. To set this question at rest, it is necessary to look at the statutes in question. They are two. First, there is the act of 1870, which authorized the new fives as a funding loan, the purpose of which was limited to the redemption of the outstanding sixes. In accordance with this purpose the statute

expressly stated that the issue of the funding bonds and the authority to do so should not increase the aggregate of the debt. If there had been no amendment to the law, no addition could have taken place such as we are now discussing. But there was an amendment. The act of January, 1875, was passed for the purpose of enabling the Treasury to buy silver to set the mints at work coining money for use in resumption. But in order to purchase silver bullion, funds had to be provided. Two sources of supply might have been prescribed in the law. First, taxes laid for this specific purpose; and secondly, loans issued so as to increase the public debt. The latter method was chosen, as will be seen from the third section of the law, which enacts as follows:

"The Secretary of the Treasury is hereby authorized and required, as rapidly as practicable, to cause to be coined, at the mints of the United States, silver coins of denominations of ten, twenty-five and fifty cents, of standard value, and to issue them in redemption of an equal number and amount of fractional currency of similar denomination; or, at his discretion, he may issue such silver coins through the mints, sub-treasuries, public depositories, and post-offices of the United States, and upon such issue he is hereby authorized and required to redeem an equal amount of such fractional currency, until the whole amount of currency outstanding shall be redeemed. And on and after the first day of January, A. D. 1879, the Secretary of the Treasury shall redeem in coin the United States legal-tender notes then outstanding, on their presentation for redemption at the office of the Assistant Treasurer of the United States, in the city of New York, in sums of not less than \$50. And to enable the Secretary of the Treasury to prepare and provide for the redemption in this act authorized or required, he is authorized to use any surplus revenues from time to time in the Treasury not otherwise appropriated, and to *issue, sell and dispose of*, at not less than par in coin, *either of the description of bonds* of the United States described in the act of Congress approved July 14, 1870, entitled "An act to authorize the refunding of the National Debt," with like qualities, privileges and exemptions, to the extent necessary to carry this act into effect, and to use the proceeds thereof for the purposes aforesaid."

It then appears that the Secretary is required to do as he has done, by the positive terms of the law; hence the criticism by which his action is in some quarters assailed should be directed rather against Congress than against the Secretary. In issuing twenty millions of bonds for the purchase of an equivalent amount of silver, he is simply carrying into effect a policy suggested by the President in a letter published two years ago, and adopted by Congress in an act passed without sufficient knowledge and deliberation. It will be seen that the terms of the law of 14th January, 1875, are not conditional, but mandatory. It directs the Secretary of the Treasury to do certain prescribed acts, and it leaves him no option in regard to these acts, though he has abundance of discretion in other matters connected with the general policy of resumption. The specific acts the Secretary is ordered to do are, first, to set the mint to work coining silver, and secondly, to issue bonds as one method of getting the funds to buy silver bullion.

The failures in England have caused heavy losses to the banks and have lessened the dividends of the London joint-stock banks. The half-year's dividends amount to £204,500 less than those of the previous half-year. Of the reduction in the dividend of the London and Westminster Bank, the London *Economist* of 3d July, says: "We have received the following announcement: '1. The Directors of the London and Westminster Bank have resolved to declare a dividend at the rate of 10 per cent. per annum on the paid-up capital of £2,000,000, for the half year ending the 30th June. 2. The net profits for the six months, after making the usual appropriations and provision for ordinary bad and doubtful debts, amount to £252,000, of which the dividend absorbs £100,000, the balance of the above profit being carried to the rest, which would then amount to £1,167,000. 3. In view of the exceptional losses and frauds during the half year, the Directors have thought it

prudent to transfer the sum of £500,000 from the rest to a special suspense account, which sum they consider more than sufficient to meet all contingencies. After the foregoing reduction the reserve will stand at £667,000. This estimate of loss, we are informed, includes everything which there is the least ground for suspecting up to the present moment, including the large losses by the bills of Collie & Co., of the Aberdare Company, and some small losses by bad 'warrants' pledged by a partner in a firm recently failed, which, though most unpleasant as indicative of fraud, are pecuniarily inconsiderable as compared with the others."

The receipts from Internal Revenue during the fiscal year ending June 30, 1875, as compared with receipts from the same source during the year ending June 30, 1874:

Month.	1874.	1875.
July.....	\$8,818,094 21	\$9,460,940 42
August.....	8,525,057 20	8,506,784 85
September.....	8,803,070 95	8,569,017 42
October.....	6,923,462 10	9,209,513 98
November.....	6,713,577 79	8,610,855 84
December.....	8,067,050 56	8,893,461 14
January.....	9,698,202 52	8,700,134 70
February.....	8,104,171 55	12,604,454 07
March.....	7,781,713 63	8,244,224 83
April.....	8,411,241 50	7,022,304 92
May.....	11,326,333 04	11,450,274 13
June.....	9,189,602 05	8,426,092 65
Total.....	\$102,361,577 10	\$109,788,058 95

The import entries at New York of foreign dry goods and general merchandise (not including foreign specie), since July 1, 1874, are subjoined:

July.....	\$32,749,911	March.....	\$27,279,308
August.....	32,101,567	April.....	34,618,873
September.....	30,343,091	May.....	20,796,311
October.....	28,983,335	June 5.....	6,004,607
November.....	23,949,867	June 12.....	6,286,815
December.....	24,085,984	June 19.....	4,683,961
January.....	30,161,910	June 26.....	6,934,666
February.....	27,610,811	July 3.....	6,368,188
Total.....			\$350,483,487
Total same date 1874.....			383,334,025

Decrease in 1875.....\$32,850,538

The export clearances from New York of domestic produce and miscellaneous goods (including foreign articles re-exported) since July 1, 1874, compare as follows:

July.....	\$26,454,378	March.....	\$19,582,162
August.....	24,584,859	April.....	18,266,417
September.....	21,690,714	May.....	19,924,961
October.....	24,285,552	June 1.....	4,268,064
November.....	19,998,235	June 8.....	5,593,109
December.....	23,504,786	June 15.....	5,672,819
January.....	16,287,363	June 22.....	5,697,019
February.....	17,709,570	June 29.....	5,218,653
Total.....			\$257,734,465
Total same date 1874.....			305,733,499

Decrease in 1875.....\$47,999,034

Gold, July 3, 1875.....117

Gold, July 3, 1874.....110½

Subjoined are the exports of gold and silver from New York since July 1, 1874:

July.....	\$3,506,728	March.....	\$3,361,161
August.....	7,316,397	April.....	4,393,348
September.....	2,222,533	May.....	9,355,251
October.....	1,614,753	June 5.....	4,418,000
November.....	4,448,600	June 12.....	4,674,036
December.....	12,497,641	June 19.....	6,236,979
January.....	19,119,325	June 26.....	1,901,918
February.....	4,040,524	July 3.....	3,238,986
Total.....			\$85,507,411
Total same date, 1874.....			50,739,126
Increase in 1875.....			\$34,768,285

The Customs receipts in gold deposited in the New York Office of the United States Treasury, and the gold interest paid out by the office since July 1, 1874, are as follows:

	<i>Customs.</i>	<i>Interest.</i>
July.....	\$9,989,078	\$14,992,537
August.....	12,508,813	4,100,122
September.....	11,719,133	3,439,339
October.....	9,055,558	3,466,993
November.....	6,673,821	3,035,120
December.....	6,489,818	7,122,943
January.....	8,187,815	9,207,578
February.....	12,031,058	6,332,307
March.....	10,525,249	2,388,759
April.....	9,791,633	2,608,387
May.....	7,655,617	4,915,666
June.....	6,953,217	5,693,637
July 1, 2 and 3.....	841,000	2,125,000
Total.....	\$113,454,810	\$68,708,368
Total 1874.....	115,140,841	72,829,966

## DEATHS.

AT NEW ALBANY, Indiana, on Sunday, May 16th, aged forty-eight years, SETH WOODRUFF, Cashier of the MERCHANTS' NATIONAL BANK.

AT SANDUSKY, Ohio, on Sunday, July 11th, aged sixty-eight years, LESTER S. HUBBARD, President of the SECOND NATIONAL BANK of Sandusky.

AT BRIDGEPORT, Conn., on Saturday, May 29th, aged seventy-four years, HERVEY HIGBY, President of the CONNECTICUT NATIONAL BANK.

AT WARRENSBURG, New York, on Friday, July 16th, aged seventy-seven years, Colonel BENJAMIN P. BURHANS, President of the GLEN'S FALLS NATIONAL BANK.

AT NEW YORK, on Wednesday, July 21st, aged sixty-seven years, CHARLES A. MACY, formerly President of the PARK BANK, New York, and subsequently one of the late firm of Howes & Macy.

THE  
BANKER'S MAGAZINE,  
AND  
Statistical Register.

---

VOLUME X, }  
THIRD SERIES. }

SEPTEMBER, 1875.

No. 3.

---

THE BALANCE SHEET OF THE FISCAL YEAR.

The reports of the Treasury for the fiscal year have been looked for with some interest, and Mr. Bristow has published the official figures rather earlier than usual. It is not difficult to see why the public have a special anxiety in these accounts just now. First, we began the year with the apprehension of a deficit, and new taxes are even still expected to be imposed at the next session of Congress. The Secretary's estimate was, as will be remembered, that after paying the ordinary expenses of the Government, a surplus of 9 millions would be left toward the sinking fund. But this fund required \$31,096,545 for the year. Hence the total deficit was expected to be \$22,093,748. Till the year of the panic we had not had, for a long period, any deficit in the revenues of the Treasury, and it is of great moment to our national credit that the income of the Government should be made to balance its disbursements. Secondly, there is some perplexity in the popular mind as to the 20 millions of silver which the Treasury is said to have bought and partly paid for out of the proceeds of new bonds. This transaction may accord with the interests of the mine-owners, who are, no doubt, glad to find near home a good customer for their silver product. There is grave doubt, however, whether the bargain will conduce as much to the interest of the country as to the advantage of the miners. This doubt has added to the public anxiety for the details of the Treasury accounts. Thirdly, a lively crop of rumors has sprung up as to the prospects of the new loan in Europe, and the Syndicate are said to have almost matured their arrangements to negotiate the residue of the fives and part of the  $4\frac{1}{2}$  per cent. bonds authorized in the funding act of 1870. We regret that we are unable to do more as yet toward satisfying the



public mind than by compiling the subjoined statements, which constitute the Treasury balance sheet for the past fiscal year:—

### TREASURY RECEIPTS AND EXPENDITURES FOR THE FISCAL YEAR 1874-1875.

NET RECEIPTS.			
	<i>Estimates for year ending June 30, 1874.</i>	<i>Actual for year ending June 30, 1874.</i>	<i>Estimates for year ending June 30, 1875.</i>
Customs .....	\$160,195,403	\$163,103,834	\$162,001,200
Internal revenue .....	94,840,454	109,439,823	105,098,615
Public lands .....	2,073,768	1,852,420	1,391,465
Miscellaneous .....	11,843,867	14,053,779	15,527,005
Total .....	\$268,953,492	\$288,449,855	\$284,318,285

NET EXPENDITURES.			
	<i>Estimates for year ending June 30, 1874.</i>	<i>Actual for year ending June 30, 1874.</i>	<i>Estimates for year ending June 30, 1875.</i>
Civil and miscellaneous .....	\$67,722,294	\$69,655,525	\$68,898,411
War Department .....	47,795,053	42,313,927	40,118,291
Navy .....	27,792,454	30,932,587	25,122,728
Indians .....	9,408,715	6,692,462	8,032,753
Pensions .....	30,478,156	29,038,414	30,355,407
Interest .....	107,051,907	106,090,920	102,787,899
Total .....	\$290,248,000	\$284,723,635	\$275,315,489

### TREASURY RECEIPTS AND EXPENDITURES FOR THE FISCAL YEARS 1869-1875.

	1875.	1873.	1872.	1871.	1870.	1869.
Customs .....	\$157,167,722	\$188,089,522	\$216,370,286	\$206,270,208	\$194,538,374	\$180,048,426
Internal rev. ....	110,007,493	120,559,351	137,165,574	143,098,153	184,898,756	158,356,460
Public lands .....	1,413,640	2,882,312	2,575,714	2,388,646	3,350,481	4,020,344
M'cellaneous .....	19,411,195	10,141,282	7,842,794	22,093,541	12,942,118	13,997,338
Total .....	\$288,000,051	\$321,663,467	\$363,954,368	\$373,850,548	\$395,731,029	\$356,422,568

	1875.	1873.	1872.	1871.	1870.	1869.
Civil & misc. ....	\$71,070,703	\$73,328,110	\$60,984,757	\$60,481,991	\$53,237,461	\$56,474,061
War dept. ....	41,120,645	46,323,138	35,372,157	35,799,991	57,655,675	78,501,990
Navy .....	21,497,626	23,526,256	21,249,800	19,431,027	21,780,229	20,000,753
Indians .....	37,840,873	7,951,705	7,061,729	7,426,997	3,407,938	7,042,923
Pensions .....		29,359,427	28,533,402	34,443,894	28,340,202	28,470,621
Interest .....	103,093,544	104,236,482	116,607,979	125,576,565	129,235,498	130,694,242
Total .....	\$274,623,392	\$285,718,118	\$269,809,834	\$283,160,405	\$293,657,003	\$321,190,595

It appears from these figures that the receipts for 1875 were nearly four millions more than the estimates, while the expenditures were nearly one million less. Consequently the surplus applicable to the sinking fund was increased from \$9,002,796 to \$13,476,659. But this sum was not enough to meet the demand of the sinking fund, which required 31 millions, as is shown above. Hence the deficit of the year is \$17,619,886, which is the amount that Mr. Bristow has had to borrow in order to keep up to the legal sinking fund requirement. The consequence is, that although he has paid off some 30 millions of the public

debt, 17 millions of the sum was paid off with borrowed money, and the net decrease of the debt is only about 14 millions. This will be illustrated from the subjoined table, which shows the movement of the public debt for several years :

CHANGES IN THE FUNDED DEBT, JUNE, 1873, TO JULY, 1875.

FUNDED.	June 30, 1873.	June 30, 1874.	July 31, 1874.	June 30, 1875.	July 31, 1875.
Fives.....	\$414,567,300 ..	\$510,628,050 ..	\$511,025,200 ..	\$607,132,750 ..	\$613,632,750
Sixes.....	1,281,238,650 ..	1,213,624,700 ..	1,213,228,050 ..	1,100,865,550 ..	1,095,858,550
Total.....	1,695,805,950 ..	1,724,252,750 ..	1,724,253,250 ..	1,707,998,300 ..	1,709,491,300
Unfunded.....	452,012,763 ..	419,835,491 ..	417,552,127 ..	420,690,426 ..	417,902,538
Total debt...	\$2,147,818,713 ..	\$2,143,088,241 ..	\$2,141,805,377 ..	\$2,128,688,726 ..	\$2,127,393,838

This table shows that about 200 millions of Fives have been sold since June, 1873. It also contains the aggregates of the unfunded debt, the details of which compare as follows :

CHANGES IN THE UNFUNDED DEBT, JUNE, 1873, TO JULY, 1875.

	June 30, 1873.	June 30, 1874.	July 31, 1874.	June 30, 1875.	July 31, 1875.
Greenbacks.....	\$356,079,967 ..	\$382,076,732 ..	\$382,076,707 ..	\$375,841,687 ..	\$374,824,985
Fractional currency....	44,799,365 ..	45,881,395 ..	45,719,792 ..	42,129,424 ..	41,145,393
Four per cents.....	678,000 ..	678,000 ..	678,000 ..	678,000 ..	678,000
Past due debt.....	51,929,710 ..	31,216,590 ..	2,740,830 ..	11,425,820 ..	10,678,270
Accrued interest.....	42,356,652 ..	38,939,087 ..	26,894,238 ..	38,647,566 ..	27,110,460
Navy pension fund.....	14,000,000 ..	14,000,000 ..	14,000,000 ..	14,000,000 ..	14,000,000
Gold notes.....	39,460,000 ..	22,823,100 ..	33,469,000 ..	21,796,300 ..	22,725,100
Total.....	549,303,694 ..	506,940,072 ..	505,578,569 ..	504,518,787 ..	491,162,207
Less gold balance.....	87,507,402 ..	74,205,304 ..	71,113,210 ..	79,854,410 ..	68,942,700
Total.....	461,796,292 ..	432,734,768 ..	434,465,359 ..	424,664,377 ..	422,219,507
Less currency balance.....	9,783,529 ..	14,576,010 ..	16,913,232 ..	3,973,951 ..	4,316,969
Net unfunded debt...	\$452,012,763 ..	\$419,835,491 ..	\$417,552,129 ..	\$420,690,426 ..	\$417,902,538

THE EXPORT MOVEMENT OF BREADSTUFFS.

HOW MUCH OF OUR SURPLUS CROP WILL EUROPE WANT THIS YEAR?

One of the most important factors in our foreign exchanges arises out of the export movement of wheat and flour. For obvious reasons of late our exports of breadstuffs have been discussed with considerable animation. The expected short crops in England and France have caused an active speculation here, with violent oscillations in prices. The prospective demand for shipment is involved in some uncertainty, from the vast area of supply from which the countries of Western Europe can draw their foreign importations of food. From this and other causes, the export movement of wheat and flour from the United States is irregularly responsive to foreign perturbations, and does not always receive so large an impulse from short crops abroad as might be anticipated. It is well to caution our bankers and farmers in the West against favoring exaggerated estimates, and against keeping back

the crops from the market in expectation of famine prices. It will surprise some of our readers to find that, notwithstanding all that has been said, our exports of wheat have not been so active this year as last. From Jan. 1st to July 31st, 1875, the exports of wheat from New York were 18,661,829 bushels, against 26,979,700 bushels for the same period of 1874. Similarly of wheat flour, the exports for the first seven months were 1,334,793 in 1875, and 1,548,824 in 1874. From these figures we see that the cereal exports for the first seven months of this year have fallen far below those of the year preceding. It would be easy to find illustrations of the same principle by referring to the reports of previous years. Perhaps the most instructive statistics on this subject are those prepared some time ago by Mr. Samuel B. Ruggles, as to the comparative cereal production of the United States and of rival countries. From these elaborate statements we compile the subjoined table, which shows the total crop and relative value of the cereal produce of each of the chief countries of Europe:

CEREAL CROPS OF THE UNITED STATES AND OF OTHER COUNTRIES.

Countries.	Population.	Total Cereal Product.	Bushels per Head.	Wheat.	Bushels per Head.
<b>PRIMARY.</b>					
1. Russia (European).....	68,097,025	1,483,437,500	20.5	458,437,500	6.7
2. Germany.....	38,459,646	737,703,774	19.0	88,679,274	2.4
3. France.....	37,847,478	710,669,279	18.9	286,928,650	7.6
4. Austria.....	32,573,002	486,092,000	15.0	70,200,000	2.1
5. Great Britain and Ireland.....	29,866,735	355,053,389	11.9	110,665,217	3.7
Total "Primary".....	206,843,886	3,772,955,942	18.2	1,014,910,651	4.9
<b>SECONDARY.</b>					
6. Sweden and Norway.....	5,815,619	62,000,000	10.6	2,000,000	0.4
7. Denmark (without the duchies).....	1,701,200	23,500,000	13.8	3,000,000	1.8
8. Holland.....	3,529,108	36,725,900	10.4	4,801,500	1.3
9. Belgium.....	4,940,570	64,297,692	13.0	16,138,936	3.1
10. Switzerland.....	2,510,494	17,200,000	6.8	2,100,000	0.8
Total "Secondary".....	18,496,991	203,723,592	12.9	28,040,436	1.5
<b>SOUTHERN EUROPE.</b>					
11. Portugal (continental).....	3,987,861	29,503,367	7.4	5,944,825	1.5
12. Spain (with Balearic Isles).....	16,046,217	120,000,000	7.5	60,000,000	3.7
13. Italy.....	24,231,860	187,246,957	7.6	94,592,212	3.9
14. Greece (with Ionian Islands).....	1,325,340	9,300,000	7.0	3,200,000	2.4
15. Danubian Principalities:					
Roumania.....	3,864,848	136,439,963	25.0	42,620,330	11.0
Servia.....	1,078,281	14,000,000	13.0	4,000,000	3.7
16. European Turkey.....	10,500,000	110,000,000	8.8	40,000,000	3.2
Total "Southern Europe".....	61,034,407	606,490,287	9.6	250,357,307	4.5
TOTAL EUROPE.....	286,375,284	4,583,169,821	16.0	1,293,308,444	4.5
<b>UNITED STATES OF AMERICA:</b>					
By census of 1850.....	23,101,876	844,024,316	36.3	97,358,288	4.2
By census of 1860.....	31,145,186	1,221,428,452	38.2	105,834,491	5.3
By census of 1870.....	38,558,371	1,460,934,174	38.0	287,745,626	7.5

These figures throw much light on the question which stands at the head of this article. They show that France and England have a wide area of wheat-growing territory to draw from when their own crops fail. A dozen years ago the United

States offered the chief source for the supply of breadstuffs to England. Our monopoly of the market was lost during the civil war. Russia has been for the last ten years our chief rival in cereal production for foreign markets. Besides this, the Suez Canal and the traffic it has created have given a stimulus to grain culture in the countries bordering the Mediterranean, as well as in Egypt and Turkey. As most of the countries which compete in the export of cereals will probably have good crops this year, it is of importance that we should set our crops in motion and take advantage of our unrivaled advantages for moving grain swiftly and in large amounts. The question whether Europe will need our surplus crops of breadstuffs is to a good degree a question of swift delivery and moderate price.

In this point of view ought we to regret the recent decline in the prices of breadstuffs? On the contrary, is it not of the highest importance to the general growth of the country that the large surplus from our last year's crop, as well as from the crop of the present year, should find an early outlet abroad, and should not be held here at quotations which prevent their export? Our farmers and dealers in grain will do well to profit by the lessons of last year. The latest advices from England show that there is no scarcity of breadstuffs in Europe. Our producers of grain, therefore, who hold back their crops are not only aiding the speculators, but they are working against their own best interests and those of the country at large.

---

### THE IMMIGRATION MOVEMENT.

An interesting book might be written upon the causes and the progress of those mighty waves of emigration that have swept over Europe, and changed the distribution of its peoples during the last thirteen centuries, in which the Anglo-Saxon race has been so predominant. By far the most important of the successive movements of emigration which have agitated Christendom is the latest of all. Its chief direction has been toward the United States, and it culminated about the time of the gold discoveries in California. It has brought to this continent, in little more than the quarter of a century, almost six millions of people. What is also worth observing is, that, but for this large influx of population at the critical period of the gold discoveries, our own country would not have gained from those discoveries the swift growth in productive power which, since that time, has been so conspicuous. The hidden wealth of the gold mines might have long waited for its slow and tedious development, had not a mighty host of laborers been levied and sent to work them by the adventurous spirit of emigration, which for ages had been quietly growing up throughout Western Europe. We have said that this enterprising and adventurous spirit developed special activity shortly before the era of the gold discoveries, and that it had been foster-

ing its strength for many years prior to that time. An official report shows that, during 55 years, from 1815 to 1869, the number of native and foreign emigrants who embarked from Great Britain was 6,756,697. Of these emigrants, 4,276,597 came to this country; while 1,356,476 went to British North America; 978,358 went to Australia and New Zealand, and 152,266 to other ports. For many years the average number of emigrants from Great Britain has been about 200,000, nearly three-fourths of whom came to this country.

This wave of emigration seems now to have partially spent its force; and, for some years to come, it may be expected to show a gradual decline. Among the obvious reasons for this expectation, we may mention, first, the policy of the Governments of several foreign countries, which are no longer inclined to look with so much favor as formerly upon the loss of their citizens by emigration to the United States. A hostile influence is thus springing up which cannot fail to deter many intending emigrants from leaving their native country. Secondly, it is well known that by the panic of 1873 foreign mechanics and laborers who had settled here were thrown out of work, and multitudes were too shiftless to recover their lost positions. A multitude of such disappointed adventurers have returned to their own country, and their misfortunes will naturally deter not a few persons from braving the tide which has shipwrecked their friends and acquaintances.

Other reasons for anticipating a future decline in the immigration movement are suggested by the report which has just been prepared by the Commissioners of Emigration. From this document it appears that the income of the Board will no longer suffice to render the eleemosynary aid to poor emigrants which has been so prodigally afforded in past years. The revenue of the Board, as is well known, is derived from a commutation fee on each emigrant, paid by the owners of the vessel which brings them to this country. This fee was raised in 1867 from \$2.00 to \$2.50. It was reduced in 1871 to \$1.50, its present rate. The receipts since 1860, on 2,875,478 immigrants landed at Castle Garden, amounted to \$6,330,543, while the expenses, during the same period, have reached the sum of \$6,445,205. On this showing, the Board are in debt to the extent of more than \$110,000. But they have expended \$1,246,551 in real estate, which has been paid for out of the ordinary annual receipts of the Board since 1864. Still the Commissioners claim to have exercised the strictest economy, having reduced their employ  s in numbers and pay, and otherwise saved every dollar they could.

As the entire resources of the Commission are from the emigrant tax or head-money, paid by the ship-owners, it is apparent that every reduction in the number of aliens is a curtailment to the extent of \$1.50 per head in the funds. The decrease during the past year has been unparalleled, and the loss so great as to cripple the Board. An effort to get an advance of head-money was discussed last winter, but nothing came of it.

The subjoined figures have been published to show the monthly arrivals of emigrants at the port of New York, with the expenses of the Commissioners of Emigration for the last two years and a-half:

<i>Months.</i> 1873.	<i>No. of Aliens Arrived.</i>	<i>Pay-rolls, Castle Garden.</i>	<i>Pay-rolls, Ward's Island.</i>	<i>Expenses, Castle Garden.</i>	<i>Maintenance, Ward's Island.</i>
January ...	7,474	\$8,420 94	\$2,803 61	\$5,275 05	\$19,315 29
February ..	4,980	8,354 94	3,688 80	2,865 87	19,818 87
March .....	10,695	8,539 94	3,687 30	764 01	17,336 84
April .....	41,925	8,286 44	3,807 53	4,615 66	13,409 63
May .....	45,155	8,268 94	3,911 63	4,586 37	12,524 14
June .....	45,487	8,172 35	3,834 96	2,455 11	10,718 03
July .....	24,396	7,688 21	3,859 63	3,000 96	11,457 92
August .....	18,754	8,607 59	3,862 16	3,381 35	10,565 69
September ..	22,381	8,122 43	3,865 13	2,619 30	8,818 30
October ...	20,591	8,166 77	3,876 54	3,420 29	10,076 65
November ..	17,881	8,242 60	3,471 30	2,511 00	12,405 13
December ..	7,635	8,255 30	4,064 01	1,469 13	16,192 58
<b>Total....</b>	<b>267,354</b>	<b>99,126 45</b>	<b>44,732 60</b>	<b>36,964 10</b>	<b>162,639 07</b>
<i>1874.</i>					
January ...	2,995	8,228 64	4,040 52	1,615 23	15,607 33
February ..	2,749	8,081 63	4,039 85	1,703 69	10,646 78
March .....	5,032	7,921 85	4,027 43	1,703 70	10,022 10
April .....	12,502	6,999 99	3,825 96	1,720 18	7,598 73
May .....	28,895	5,753 16	3,758 07	1,528 20	6,742 73
June .....	21,994	5,092 98	3,570 35	1,485 60	5,988 50
July .....	16,360	5,203 42	3,541 25	1,410 52	5,245 94
August .....	11,868	5,143 16	3,476 37	1,155 30	6,187 61
September ..	14,352	5,106 82	3,496 66	1,616 44	6,628 91
October ...	10,673	1,151 32	3,542 66	2,391 35	7,768 13
November ..	7,877	5,740 82	3,417 02	1,690 24	8,199 56
December ..	5,034	5,265 32	3,560 76	2,160 60	10,467 87
<b>Total....</b>	<b>140,337</b>	<b>73,089 11</b>	<b>44,296 90</b>	<b>20,181 05</b>	<b>101,104 19</b>
<i>1875.</i>					
January ...	1,643	4,094 79	3,702 57	1,358 29	8,840 77
February ..	2,461	3,855 14	3,535 14	927 36	7,857 72
March .....	5,123	3,829 79	3,583 92	927 37	9,313 09
April .....	10,536	3,858 29	3,523 42	764 60	7,007 90
May .....	14,470	3,813 79	3,560 08	762 66	5,206 58
June .....	13,083	2,841 81	2,034 82	779 89	4,562 55
July .....	9,098	2,513 32	2,059 87	367 17	4,267 02
<b>Total....</b>	<b>56,414</b>	<b>\$4,806 93</b>	<b>\$21,999 83</b>	<b>\$5,887 34</b>	<b>\$47,115 63</b>

The importance of the Commission, and the extent of its work, are well known and acknowledged. It was the first of the great Commissions in this city established by State laws, and was the work of some of our best citizens. The law was procured through the exertions of a few citizens who knew of the robberies practiced upon immigrants, and resolved to stop them. The first Commission was appointed in 1847, and, from that time down, the Board has embraced men of such integrity and respectability as to command the confidence of the people. The work of receiving, forwarding, and caring for immigrants, under the control of this Commission, is very onerous. Some further data for estimating its magnitude are given in the following table, showing

the record of arrivals of aliens since the establishment of the Board of Commissioners of Emigration in 1847 :

<i>Year.</i>	<i>Irish.</i>	<i>Teutonic.</i>	<i>All others.</i>	<i>Total.</i>
1847.....	52,946	58,458	18,568	129,062
1848.....	98,061	54,957	36,158	189,176
1849.....	112,591	62,936	45,076	220,603
1850.....	117,038	51,289	44,469	212,796
1851.....	163,306	75,405	59,890	289,601
1852.....	118,131	123,970	58,891	300,992
1853.....	113,164	122,854	48,917	284,945
1854.....	82,302	180,872	56,049	319,223
1855.....	43,043	55,496	37,594	136,233
1856.....	44,276	60,454	37,612	142,342
1857.....	57,119	84,286	42,368	183,773
1858.....	25,075	32,990	20,515	78,589
1859.....	32,652	29,435	17,235	79,322
1860.....	47,330	39,324	18,508	105,162
1861.....	25,784	28,722	11,033	65,529
1862.....	35,217	30,765	13,324	76,306
1863.....	91,157	39,053	26,634	156,844
1864.....	89,399	60,416	32,481	182,916
1865.....	70,462	87,499	38,391	196,352
1866.....	68,047	108,393	56,978	233,418
1867.....	65,134	126,894	49,703	242,731
1868.....	47,571	120,027	46,088	213,086
1869.....	66,204	130,516	62,269	258,989
1870.....	65,168	89,638	57,364	212,170
1871.....	65,506	105,368	58,765	229,639
1872.....	68,747	154,540	71,294	294,581
1873.....	70,485	98,436	97,897	266,818
1874.....	41,179	74,748	24,310	140,337
Total.....	1,975,094	2,294,673	1,073,371	5,542,135

Thus it appears that the Commissioners of Emigration have had to care for more than six times as many people as the census of 1870 gave for the total population of our city. The whole number of aliens landed at Castle Garden in 1874 was 140,337, producing an income of \$210,555.50. Only two years before, when the tax was the same, the receipts were more than double, \$457,011.70.

Such are the main facts set forth in the report to which we have referred. The official investigation, which is now being made into the affairs of the Board, will probably show that its purity and efficiency have not been kept up to the high standard of former years, but that, for want of publicity or of some other adequate check, it has sunk into torpor, if not corruption, and has recklessly wasted some of its funds, vainly endeavoring to redeem itself when its difficulties had become almost insuperable. However this may be, we may be well assured that the indiscriminate charity which has been so prodigally bestowed upon pauper emigrants will not be possible in the early future.

While the attractions of this country to emigrants of various classes have thus been curtailed, and while the idle, the vicious and the shiftless pauper may be repelled from our shores, we shall doubtless draw, with livelier force, a growing emigration from a

better class, who possess skill in farming or in mechanical art, and have some capital of their own to start with. This class of immigrants is not, however, so large as formerly, and the numerical aggregate of our emigration may show a large falling off.

In any case, we may be well assured that stronger influences are at work in Europe to check emigration than at any previous time in this century. Last November we called attention to the efforts which were making, by the authorities in England and in Germany, to arrest the increasing tide of emigration to the United States. It is true, the Governments cannot use legislative action for this purpose. Indirectly, however, they are able to accomplish a great deal, and the attentive observer will see indications that a powerful public opinion is growing up in England and in Continental Europe unfavorable to emigration. To some persons it may seem strange that those countries did not earlier wake up to the fact that they were losing strength in losing emigrants. Had they done so half a century ago, a formidable obstacle might have been raised to oppose the progress of this country. During the fifty-one years ending in 1870 we received from foreign countries 7,543,317 emigrants, of whom 3,368,482 came from Germany, 245,812 from France, 153,928 from Sweden and Norway, 61,572 from Switzerland, 23,214 from Spain, 23,998 from Italy, and 109,502 from China. From Great Britain the total influx was 3,857,793. It is impossible to believe that, in this enormous influx of emigrants of kindred races, who have sought a home in this country, and have brought to us the arts, and the skill, and the economies of their foreign homes, we ought not to recognize one of the most bountiful sources of our rapid material progress as a nation. These seven or eight millions of people have most of them been attracted hither by the cheapness of our lands; by the fertility of our rich virgin soil; by the rich rewards which are often won by adepts in the mechanical and useful arts; and by the certainty that, with honest labor, they could better their condition and open a more promising future to their children. Exceptions there may have been, especially in recent years; but, in the vast majority of cases, our emigrant population have brought with them valuable economic elements for the increase of our productive power and material wealth. It is impossible to compute in money the value which these immigrants have added to the substantial riches of the nation. Men who are curious in such matters have made estimates, founded on the capitalized value of unskilled labor, as represented by the price of slaves before the war. As free labor is certainly worth more than forced labor, and as one-fifth of our immigrants have been work-people of more or less skill, it has been argued that, on a fair capitalization of earnings, the average value added by each immigrant landing on our shores must be at least 500 dollars. Taking this low average as a basis, it appears that the immigration movement poured every year into the reservoir of the national wealth a value equivalent to 190 millions of dollars,



and that from 1848 to 1870 immigration swelled the resources of the country by 3,000 millions of dollars, more than the aggregate of the national debt with the debts of the various States and municipalities combined. Of course such calculations are conjectural, and offer but one of the data for estimating the value of an orderly, law-abiding, skillful and ingenious army domiciling itself yearly in a popular community like ours, whose rich lands invite settlers, and whose unrivaled climate, vast resources and free institutions stimulate and give full scope to inventive genius and industrial energy. The influx of a million of laborious, good citizens diffuses energy throughout the whole body politic, and gives a new efficiency to all the productive forces of the country. Economical science shows that to enlarge and concentrate population gives one of the essential conditions for the more complete division of labor, and for the enlargement and combination of those forces which increase the power, and give more rapid development to the wealth of nations. Well-directed immigration, then, does not merely add a fixed capital of so many dead millions of dollars to our national resources, but it creates living forces of growth and gives us advantages of far higher worth in enlarging the organization of industry.

If such advantages as these are conferred on new countries by immigration, it is natural to infer that the old countries sustain thereby an equal loss. This was affirmed and universally believed until half a century ago, when it was denied by the celebrated political economist T. R. Malthus. "Before his time," says J. R. McCulloch, "the prevalent opinion had been that an increase of population was the most decisive mark of the prosperity of a State, and that it was the duty of Government to stimulate its increase, by encouraging early marriages and granting exemptions from onerous public services, and bestowing rewards upon those who reared the greatest number of children. But Mr. Malthus has set the erroneous nature of this policy in a most striking point of view. He has shown by careful examination of the state of countries in every stage of civilization, and placed under the most opposite circumstances, that the number of inhabitants is everywhere proportioned to the means of subsistence, and that the tendency of the increase of population is not to fall below the increase of food, but to exceed it."

The once fashionable Malthusian theory is founded on the mathematical principle that if two quantities increase, the one in arithmetical ratio and the other in geometrical ratio, the latter will vastly outstrip and rise above the former. "Now this," said Mr. Malthus, "is precisely the relation between the two great economic quantities, population and food. We can increase the food-raising capacity of a given country, but all our efforts will terminate in an arithmetical ratio of increase. Do what we will the food will not increase except in an arithmetical ratio. Meanwhile the population has a tendency to increase in a geometrical ratio. Hence the population will soon outstrip the food, and the best thing we can

do with our surplus people is to dismiss them out of the country. We should cause them to emigrate. We should send them to America, to Australia or anywhere else, so that we be rid of them and have so many mouths less to feed." Mr. Malthus was a benevolent Orthodox clergyman, and he invented his mathematical argument in the first instance, not with a view to change the policy of modern governments on the subject of population, or to aid the growth of this continent in wealth by fostering emigration, but for a much humbler purpose. He simply wished to use his theory to overthrow an ingenious argument by Godwin as to the perfectibility of the social state. For the latter purpose Malthus' theory serves very well; but when used for the other objects we have mentioned, it leads us into a wilderness of perplexities and sophisms, and it tells us no more than two or three barren truisms about the laws of increase which are common to the human race with the whole animal creation, and have no practical value whatever in economic reasoning or in political philosophy. The doctrine of Malthus, though mischievous in its influence generally, had at least this compensating advantage, that it caused the Governments of Europe to look on with complacency while they were losing millions of their productive laborers. The theory is now falling into neglect; but during its tenure of power it contributed indirectly to aid the multitude of forces which, during the last half century, have fostered the desire and developed the facilities of emigration to this country from the older countries of Europe.

---

### WHAT IS THE PROPER BUSINESS OF A BANKER?

To this oft-repeated question several conflicting answers have been given. Perhaps the best is that of Jeremy Bentham, who says that a banker is a man who exchanges present money for future money. Another definition is, that a banker is a dealer in floating capital. He receives deposits from persons who have spare capital, and he makes loans to persons who wish to hire this capital, and to pay interest for its use. These definitions are not, however, sufficiently precise. In the vast transactions of modern finance various kinds of dealers in capital have sprung up, which it may be hereafter convenient to designate by different names, although at present we make little discrimination between them. As in primitive times maritime enterprise was content to call a ship a ship without any specific distinction, while now on the ocean there are vessels of different build, and rig, and use, which we call barks, or ships, or brigs, or schooners, or brigantines, or steamboats, each description of vessel having its own special characteristics,—so it is on the sea of finance. In both there is the same general principle at work which we see everywhere else in our industrial, social, and economic life tending to *specialize* human effort and to extend the division of labor.

This familiar principle has not as yet been applied to the business of banking with as rigid severity as to some other parts of industrial enterprise. Still there is a tendency, which is growing stronger with the prodigious increase of capital, to separate the banking world into distinct classes, the functions of each of which are carried on in somewhat different channels of investment. For example, we have in every country which is at all rich, two sorts of capital—floating and fixed capital. In the money market it is floating capital which is the commodity bought and sold, hired or lent; and this floating capital changes hands for one of two purposes. First, that it may be converted into fixed capital by investments in bonds, stocks, and long loans; or, secondly, that it may remain in the condition of floating capital, and may invest itself in commercial bills, call-loans, and other short obligations, Government, corporate, or industrial.

Now, the dispute is, whether the man who deals in capital shall be called a banker, without reference to the question whether he discounts commercial bills with it and thus keeps it floating, or whether he lends it to a railroad or steamboat company, or in some other way converts floating capital into permanent fixed forms. This question is not devoid of practical interest. It is connected with other questions of the highest practical value, and its discussion may help to solve some of the great problems about panics. Among other benefits of this discussion, it may show us how, without infringing upon the freedom of the money market, we can prevent that most frequent cause of modern panics, the too rapid and reckless conversion of floating capital into fixed capital. It has long been regarded as a fundamental axiom of sound banking, that ordinary deposits which are in the nature of a call-loan from the depositor to the banker, must never be used for any investment which tends to convert them into fixed capital. This principle lies at the bottom of the discussion of which we are speaking. Many writers, with whom we cannot wholly agree, contend that no man should be called a banker who deals in bonds or securities, but that he should go under some other designation, so that the term banker may be reserved and set apart for those dealers in money who in their "exchange of present cash for future cash" convert floating capital into other floating capital, and do not change its form to fixed capital. Much may be said on both sides of this question. The argument of the *London Times* is as follows. Though defective in some points, it represents the views of many men of experience here and abroad, and it offers a suggestive commentary on some of the evils of the modern money market:

"It may seem superfluous to try at the present day to define the functions and position of bankers. The trade of banking has been brought to great perfection in this country, and most people are so familiar with its leading features that any description of them should hardly be necessary. There are, however, various other financial professions which so closely resemble banking in certain features, that unthinking persons are sometimes ready to

confound them, and the people who follow these other trades are often eager to adopt for themselves a name to which they have really no right. At times, too, bankers have forgotten their true business, and have suffered themselves to be led aside into undertakings not compatible with true banking, and the mixing of which with banking, were it to become general, could not fail of being widely disastrous. Both these tendencies have manifested themselves lately, but the former more especially. Many firms in this city call themselves 'bankers' who have from their business no right to the name, and a few who are bankers, either from rivalry or by mistake, lend themselves to branches of finance that lie quite apart from their path. Some attempt to discriminate the position of a banker, his functions and duties, may therefore be considered seasonable, for the general public are not unfrequently misled by the confusion that a lax use of the name, and a wide interpretation of the duties, must always produce.

"Abstractions of political economy are not necessary to enable one to comprehend the true position of a banker. The ordinary course of commerce reveals it at once. We see that the intervention of banking puts an end to the isolation of wealth, facilitates its diffusion, increases its power, and encourages its multiplication. It does this because the first thing a bank does is to gather the surplus wealth of the community into its coffers, and the next to lend what is thus collected to all who want the temporary use of money to enable them to utilize whatever marketable commodity they possess. By means of a bank, the available funds of a community are employed to the full for the general good, and a comparatively small amount of money helps the production and the movement of a large amount of wealth. It is of the essence of banking, therefore, that the public should be willing to trust the banker with their surplus wealth, that by his means they should be ready to turn a useless hoard into reproductive floating capital. The paramount duty of the banker is to keep the capital thus intrusted to him always floating. He has not merely to see that the securities he lends upon are good, but he has to see also that they do not lock the money long up, or in a form not easily recoverable. At any time the original depositor may want his money back; at any time also a legitimate expansion of trade may require an increased accommodation at the banker's hands, as well as lead to a reduction of customers' balances by increased employment of money; and, in either case, should he have locked up the money he holds in securities that cannot be realized speedily without loss, or that do not run to maturity for a long period, he will find himself in a false position. For this reason it is that bankers have to be very careful, and to restrict themselves in the range of stocks and bonds to which they commit superabundant capital in times when commercial demand for it is slack. For this reason, also, their loans, upon whatever security, are nearly always for short periods when they are doing a sound business. Bankers are thus the centers round which the whole complex system of

commerce moves. It is their business to prevent the floating capital intrusted to them from becoming fixed or unrealizable in any security except at the will of its true owner. But, besides this, a bank is not merely the instrument whereby private hoards may become generally useful for trade, it is also the means whereby the use of money can be economized by those who possess it, and its transfer effected rapidly and easily from one owner to another. A banker does not merely hold the money of one person to lend it to another, but he keeps all his customers' cash, as well as the accounts of credit by which they can command cash, and through him these customers pay their debts, without requiring actually to transmit money. By the sale of so much produce, one man obtains the right to as much of the wealth of another as is represented by so many thousands of pounds, and that amount the debtor orders his banker to transfer from himself to his creditor by his check. Wealth of all kinds thus passes from one person to another, without the intervention of money, merely by alterations in bankers' books.

"A position of this kind is of the highest responsibility and honor. Bankers can do incalculable good to a country, and also may do incalculable harm. If they lend rashly, and cannot recover the capital when wanted, trade may be stopped, and many persons involved in ruin; but, if they have a clear idea of their duties and abide by them, they can help prosperity beyond measure. Now, this general definition of banking opens up the way at once for distinguishing both who are not bankers and what bankers should not be.

"It is at once clear that many bill-brokers, financial and commission agents, who arrogate to themselves the name of bankers, in the city, have no shadow of right to the title. They lack the first requisite of banking, for they do not collect the money of the public as a means of lending on or of facilitating the payments of depositors. A bill-broker discounts just as a bank may do, and in many cases may have the money of other people deposited with him to discount with; but he does not pay and receive payment of sums for his depositing customers; he does not make the transfer of immense sums from the credit of one person to another a mere matter of ledger entries. He is merely a borrower, paying less for what he borrows than he lends it at. He may borrow from the public by taking in deposits of money at interest, or he may borrow from a bank by rediscounting the bills in his case; but he is in no sense a banker because he does so. Still less are financial agents, so-called, bankers. What we understand by a financial agent nowadays is not so honorable a calling as one could wish it to be in many instances, and it is therefore all the more to be deprecated when such agents assume the name of bankers. They have no right to the name, being in fact only a species of commission merchants. They sell their services for so much per cent. to a company or a nation, for the purpose of helping that company or nation to borrow a certain sum of money, and that is

all. These people do not receive deposits for lending at short periods, do not have customers who work 'current accounts,' and resemble bankers in no essential particulars of their business. Their business comes nearer to that of a bill-broker, and in its more honorable form may be found associated with it, as also with the trade of an ordinary merchant. Financial agents and bill-brokers are alike borrowers, but the former borrow for a long period, and ask money from the public which cannot be got back for many years, while the latter borrow for short periods. The responsibility of a financial agent differs, too, from that of either broker or banker in that it is a responsibility to the general public and to an employer at the same time. The agent is, for the time being, the servant of the borrowing party, but he has at the same time a position before the persons whom he asks to lend that has been too often ignored. Toward them he stands as pledge and voucher for the borrower to a degree that it would be well if intermediaries of the kind felt more vividly. This has, however, nothing to do with the business of banking, and because a man gets up loans, and undertakes the payment of dividends on loans, he has no more right to call himself a banker than if he were a tea-dealer. The trades are altogether distinct, and the one is, to a considerable extent, incompatible with the other. It would be dangerous, for example, in a banker to assume that public responsibility for a great borrower that a loan agent ought to take. The failure of a State to meet its engagements, or of a large corporation to hold its own, would affect the bank that stood sponsor most injuriously, and to a degree that no institution of the kind would take the risk of. A bank's risks should be distributed, and its responsibility to the community felt only through its responsibility to its private customers. When banks take the place of loan agents, therefore, they are forgetting their true position. They are dealers in money, but not commission merchants. Not only so, but the fact that the loans which financial agents negotiate are mostly for long periods, if not irredeemable, should make banks aware that the business is not for them, because, in its transmutation of floating into fixed capital, it is in antagonism with theirs. A bank should not even have its own capital tied up where it cannot be readily used, and it has no business to undertake a trade which would make its interests and those of its customers directly antagonistic in this respect. Large profits can be made by loan-dealing, and if the banks were to lay themselves out for these profits, the temptation to get customers to put their money into loans would be irresistible. The leverage which a respected bank has over public opinion in this way is far too great for it to be safe or wise to submit to this temptation. A community might be drained of its working capital before anybody was aware, by its transfer into unrealizable securities, that banks devoted themselves to this trade. Banks should only effect such transfers at the bidding of their customers when moved by influences quite outside their own. All banks are tied

down by these conditions, and ought to work within these limits, but private banks most of all, because the private banker differs from the joint-stock banker in several respects, these differences limiting his sphere of action. The private banker is more a cash custodian for his customers than the joint-stock banker. People deposit their money with the one for safety and that it may be ready to hand, and with the other that he may trade with it. It might be said that joint-stock banks, in a sense, borrow money, seeing that they consent to forego a certain portion of their profits to depositors for the use of it, and, therefore, it may be legitimate for them to take higher risks than they otherwise should do, in order to earn the double profit. But the private banker has most of, if not all, the money in his hands deposited "at call." He gives nothing to the depositor, and is not spurred to make a profit. He is, therefore, to be even more reprehended than the joint-stock banker if he embark in risks, or lock up money in securities that cannot be realized. It is absolutely imperative on his part that he should avoid, at all hazards, any temptation to do so, and any appearance of doing it.

"Other points might be dwelt upon, but enough has been said to make it evident that banks should not be public loan contractors, and that financial agents, bill-brokers and others have no right to the name of bankers. Some houses may mix up loan contracting, bill brokering, and a species of international banking together, but they are not, therefore, bankers in the true sense of the term; for their international operations are merely a modified form of exchange brokering. It would, therefore, be well, for public convenience and for sound business, if the attempts made to mix up names and callings in the fashion many people try to do were stopped. Bankers, who really are such, ought to refuse to be more than bankers, or even to seem to be more, on any pretext whatever, and their name might not then be so readily arrogated by those who have no right to it. Both the too free use of the title by those to whom it belongs, and the abuse of it by those who have no right to it, are calculated to produce much confusion, and to do no little harm to the public."

In this country there has never been as much distinction between the banker and the broker as prevails in Europe. But the *London Times* would have some difficulty to apply its principles to the country bankers in England. The English private bankers and the country banks earn a large proportion of their profits by business which scarcely accords with the rules above laid down. And still nobody ever thinks of disputing the title of these institutions to the designation of banks. The truth, probably, is that no positive rigorous rules can be established or enforced in regard to a business so multifarious, exceptional and complex as banking. How far a firm that deals in stocks and bonds, on commission or otherwise, can safely be intrusted by the public with deposits payable on demand, is a question of which the discussion is by no means exhausted.

## THE GERMAN BANKING LAW.

BY ERNEST SEYD.

[From the Journal of the London Statistical Society for June, 1875.]

The new Imperial Banking law of Germany resembles the Bank of England Act of 1844 in some respects, but is essentially different in others. In the same way as Sir Robert Peel limited the issue of fiduciary bank-notes by the Bank of England and the privileged provincial banks, so does this German law restrict and limit the issues of the Imperial German Bank and the different small State and joint-stock banks to the respective sums assigned to each in the list appended to the Act.

The Imperial Bank (or, properly speaking, the Empire Bank, "Reichsbank,") will in future hold a position akin to that of the Bank of England, apart from the provincial banks of issue. Leaving the comparison between the Imperial Bank and the Bank of England for consideration later on, it may, just at this moment, whilst a Select Committee of the House of Commons is inquiring into our own provincial issues, be of interest to us to see how the Germans treat this matter.

Under Sir Robert Peel's Act the total *fiduciary* issue of English, Irish, and Scotch provincial banks is limited to £15,857,000, the English being £6,713,000, the Irish £6,354,000, the Scottish £2,789,000. The English issues cannot be extended beyond the above fixed amount, but the Irish and Scottish banks may hold gold and silver coin in due proportions of any surplus issue. This is just one of the anomalies which the committee has under consideration. The German law prescribes to the whole of the provincial banks a *first* limit of fiduciary issue of a total of 135,000,000 marks (after deducting 250,000,000 marks for the Imperial Bank), equal to £6,750,000, against the English £15,800,000. That is to say: the German provincial banks may issue £6,750,000 in fiduciary notes, and for the surplus above this they must have cash, either gold, or State or other bank notes. (Such other notes are those of other banks which may happen to come into their tills.) So far the arrangement resembles our Scotch issues, which, as before said, can only be increased by more gold. But this allowance of £6,750,000 *uncovered* notes of the German banks, is only what may be called the *first limit*. Our total limit of £15,800,000 is so far the final allowance of *uncovered* issue, the German law admits of further extension of issue on credit. Each bank can issue its share of the first limit without paying any tax whatever to the State; but it *may exceed* that limit provided it pays to the State a tax of *five per cent. per annum* on such excess issue. Such over-issue, however,



must not exceed a proportion of one-third to be held against it in cash.

This curious provision gave rise to much discussion, the Government insisting that so heavy a tax as five per cent. would check excess, others alleging that over-issue would be encouraged, and great variations in interest take place. The principle of extension so adopted is a rough one, and, as a matter of course, contrary to the spirit of Sir Robert Peel's Act; for it will enable notes to take the place of bullion when bullion is absolutely required, and thus defeat the sound action of limitation. The privilege of note issue acquired by the German provincial banks, as the perusal of the clauses show, is otherwise so hemmed in by all sorts of restrictions as to their business of banking, that many of them have already declared their willingness to surrender it to the Imperial Bank. It remains to be remarked that these banks cannot issue notes in future of less than 100 marks, or £5. The State itself, under a law passed in April last year, will issue 120,000,000 of marks in *State notes* of smaller amounts.

The Imperial Bank itself will become the great center of the German valuation. It must be the business of that institution to act in a manner similar to that of the Bank of England, viz., in the first instance, to secure as much gold as the valuation requires, and that can only be done by limiting the amount of fiduciary issue. Sir Robert Peel's fiduciary allowance is the 15 millions which the Bank of England issues on securities, all the rest of the issue must be made on bullion. The German law takes the same bullion basis, but, in lieu of our £15,000,000 of issue, it assigns but an issue of £12,500,000, or 250 millions of marks for this purpose. As the circulation of the Imperial note will amount to about £40,000,000, against £25,000,000 of Bank of England notes, this allowance of 12½ millions would seem a narrow one. But, just as in the case of the other banks, if the Imperial Bank desires to issue more than 12½ millions of notes above bullion, it can do so on paying 5 per cent. per annum tax to the State, provided that it never has less than one-third of cash in its coffers. The Bank of England issue is strictly limited by the allowance of 15 millions, and *no more* (excepting by suspension of the Act); the Imperial German issue is, so to speak, trebly limited. The first limitation is by way of the narrow allowance of 12½ millions; next to this comes the limiting and checking power of the tax of 5 per cent., and the final limit is the one-third or 33⅓ per cent. of cash. When we consider that, in 1857 for instance, our own bullion, on a circulation of 21 millions, fell to 6 millions, or about 26 per cent., there is, considering the previous safeguards in the German law, nothing dangerous in such final extreme limit as 33⅓ per cent. of bullion. Nevertheless, the principle of extension so adopted is again contrary to Sir Robert Peel's Act, and is unhealthy in its nature. It gave rise to stormy discussion; the management of the Bank itself strenuously opposed a

measure which subjected the State bank to the prospect of the indignity of having to pay 5 per cent. per annum tax to the Government, *quasi* by way of penalty. Imagine what would be the case here, if the money market were compelled suddenly to pay 5 per cent. interest to the State at times when interest is already high. The Ministry, nevertheless, succeeded in carrying this extraordinary measure.

The Imperial Bank may possibly be able to manage its issue under its *first* limit of  $12\frac{1}{2}$  alone, without incurring the penalty of the 5 per cent. tax. And here an essential difference between the manner in which our own fiduciary Bank of England allowance of 15 millions, and the German allowance of  $12\frac{1}{2}$  millions, will be treated, may be pointed out. The Bank of England issues these 15 millions *permanently*, whether there be much or little bullion, whether the circulation requires them or not. The German Bank will issue the  $12\frac{1}{2}$  millions only *when wanted*, and not permanently. That is to say, both allowances are to be equally ready and available, but whilst our English system thus creates a surplus of actual legal-tender *money in reserve*, the German issue will have an equally available *issue in reserve*. It is alleged that in the former case money is rendered unduly cheap, and that such surplus of legal-tender notes has the tendency of opposing and lessening bullion, leading to extremely low and subsequent high rates; whereas the mere issue in reserve remains neutral, and gives more equal rates of interest. The German economical press considered that the great variations in bullion and rates of interest in England were mainly due to the maintenance of the fiduciary issue of 15 millions as both *minimum* and *maximum*, whereas such issue should only be *maximum*.

The perusal of the Act will enlighten the reader on many minor details connected with the German policy of banking. The clauses providing for the management and its appointment seem to indicate that the Imperial Bank will be a kind of Government institution; but the real life of the Bank, as far as active banking in discounts and advances is concerned, must be conducted with due regard to the stockholders, and will, therefore, have the same unofficial and private character as that of the Banks of England and France. As a specimen of "framing" a law, it is a very great curiosity, and the most severe criticism has been passed upon the manner in which it is strung together.

The most important part of the Act, that which will affect us most, is the fixed price which the Imperial Bank will in future pay for gold. Hitherto the German Government not only exacted a very high mint charge (of  $\frac{1}{2}$  per cent.), but actually closed the mint to the public. Hence the Imperial Bank was unable to buy gold in the international markets at a fair exchange. The more or less sudden purchases of gold made for account of Germany, here and elsewhere, took place almost at the caprice of the Government, frequently against the exchanges. In future, these purchases will go their regular way in accord with the rules of

supply and demand and the true state of the exchanges. Section 14 provides that the Bank shall purchase gold against its notes at the rate of 1,392 marks per mint pound fine. The full mint price being 1,395 marks, the charge is equal to 2.158 pro mille. Our full mint price is £3 17s. 10½d. per oz. standard, and the Bank of England buys at £3 17s. 9d., the 1½d. being equal to 1.605 pro mille; but, inasmuch as our other technical expenses are higher than in France and Germany, a comparison of the total cost of realization on a bar of 200 ounces will show the following results:

<i>Charges in England.</i>	<i>Pro Mille.</i>
1½d. per oz.....	1.605
Assays 1-3000ths fine.....	0.165
Turn of scale.....	0.062
Cost of assay 4s. 6d.....	0.265
	<hr/>
Cost of melting.....	2.097
	0.245
	<hr/>
	2.342 per mille.
 <i>Charges in France.</i>	
6.70 frs. per kilo. 900 fine.....	2.161
Assays 1-10,000ths fine.....	0.050
Turn of scale.....	0.008
Cost of assay (1.50 frs.).....	0.077
	<hr/>
	2.296 per mille.
 <i>Charges in Germany.</i>	
3 marks per pound, 1,000 fine.....	2.151
Assays 1-10,000ths fine.....	0.050
Turn of scale.....	0.008
Cost of assay (1½ marks).....	0.096
	<hr/>
	2.305 per mille.

As England always insists upon remelting bars, by which a loss of from 0.5 to 0.7 pro mille is incurred, it will be seen that the French and German charges of converting gold into notes or coin are slightly more favorable than ours.

In future Germany will accordingly become an effective and regular competitor in the international exchange market, and this, as time will show, will have an important influence on the features of international banking\* generally.

\* The writer of this essay, Mr. Ernest Seyd, is well known in London as a man of great experience and sound views on monetary and banking questions. The financial community has often been indebted to him for timely and accurate statistical information on matters touching the working of the English Bank Act of 1844. The foregoing account of the new German banking law contains in a brief, lucid, condensed form a considerable amount of information such as our readers will wish to possess relative to the banking system which is being established in Germany. The Reichsbank has several points of analogy to our American system of banking, with which Mr. Seyd does not seem so well acquainted as with the systems of England, Germany and France.

## FINANCIAL ENGINEERING.

## No. 2.

Before the Overend panic of 1866 a favorite method of financial engineering in England was to start a bank under the Limited Liability Act of 1862. An uncle of mine, a retired army officer, wishing to do me a favor after I left the university, took it into his head to make a banker of me, and, with a view to give me a chance to gain experience and test my capacity, he obtained for me a place as secretary of a new bank which was being organized with a large capital and with much appearance of ostentatious respectability.

New institutions generally work well at first, just as new brooms are said to sweep clean. Our bank was no exception to the rule. About two months after the shares were allotted, we moved out of our temporary offices, and commenced business in premises which had been hired and fitted up on purpose, and at vast expense, for our use. Nothing could be brighter than our desks, counters, brass rails, and new ledgers; nothing more grave and business-like than our tellers and cashiers; nothing more imposing than our Board-room, with its large table and fourteen easy-chairs; nothing more overpoweringly respectable than our two staid, civil messengers. The very sight of our piles of new check-books—numbered, lettered, and stamped—or of our heaps of new white calf-bound pass-books, ought to have given even a South Sea Islander an uncontrollable desire to open a current account, had he come into our office. As I gazed upon these triumphs over past difficulties—these incontestable evidences that out of nothing not a little had been made—I could hardly help wondering that the passers-by—as they read upon the brass plates of our doors that within those walls The Grand Financial and Credit Bank of Europe and America (Limited) lived, and moved, and had its being—did not rush in, and beg to do business with us.

At first we certainly got many constituents; some, but by no means the majority, of whom were respectable, and kept balances more or less large in our bank. Most of these new accounts were brought in by our different directors, each of whom made it a point to ask his friends to give the new concern a helping hand. As a matter of course, a number of accounts that were neither respectable as to the character of those who opened them, nor in any way worth having in a pecuniary sense, were brought to us. A new bank can hardly—or at any rate the managers of these young institutions seldom, if ever, have the courage to—reject any accounts, and we were no exception to this rule. "Get accounts, good ones if you can, but in any case get them," seems to

be the maxim of all managers of new banks. Thus often an individual on the verge of insolvency would come to us, simply because his own—some older—bank had plainly intimated that they did not think his account worth keeping, and would feel obliged if he would withdraw the small balance, if any, that stood to his credit in their books. He would make a great show of opening an account with us, paying in fifty, eighty, or one hundred pounds to begin with, but rapidly diminishing his balance by frequent checks, until at last came one, which from the credit removed his balance to the debit side of our books. Overdrawn checks were not refused payment, because our manager was afraid of offending new customers, and hoped as times went on that matters would mend. Managers of young banks like to be able to say at each weekly Board meeting, that during the last seven days there have been ten, twenty, or thirty new accounts opened, and the directors but too often take this as a criterion of business done, without inquiring who are the new customers, or what are the balances they intend keeping to their credit. However, some of our new accounts soon showed themselves to be of a nature which even the manager of our bank could not stand. One I remember particularly. The man who opened it paid in four hundred pounds on the Monday, and during the next two days made several payments to his credit of ten, twenty, and thirty pounds each, giving at the same time a number of checks against his account. Our cashier saw that although large amounts were paid out of this account, a good deal was paid in to the credit of the customer, and therefore believed him to be in a large way of business. One day, about a fortnight after the account was opened, there stood but two or three pounds to the credit side of this gentleman's balance, when late in the afternoon he paid in a crossed check for five hundred pounds, drawn by another person upon one of the West-end private banks. As our establishment was much too young to belong to the Clearing-House, we had to pass in the crossed check to the bank where we kept our account, in order to have it cleared, and therefore could not know until next day whether the check was paid. In the mean time, believing that it would be duly paid, the ledger-keeper had passed the check to the credit of our customer, which was just what the latter had calculated upon. Some hours before we could know whether the check would be paid or not, an open check for four hundred and fifty pounds from our client was presented and paid over the bank counter, and from that day to this that highly respectable individual has never been heard of. I need hardly say, that in due time—a few hours after his own check had been paid by us—the crossed check he had given us for five hundred pounds, with the letters "N. S."\* written upon it, was returned to us, and thus our customer made in the space of a few days just four hundred and fifty pounds by his little speculation.

\* "N. S." meaning "not sufficient funds to meet the draft."

This was the largest, but by no means the only, loss we had in the item of customers' balances during the first two months after we commenced business. In the discount department, however, our misfortunes were on a very much greater scale, and although our manager had been many years in business in London, he appeared to be made a victim by every one who wanted to exchange worthless paper for hard sovereigns or crisp bank-notes. Here I would say a word respecting the general opinion that bank managers are invariably to blame for the bad bills discounted by the establishments they govern. This, although true in theory, is a mistake as to practice. In most instances—in almost every case when a bank is young, and very often when it is old—all heavy discounts made are to parties introduced by individual directors, and cannot, therefore, be well refused by the manager. It was so in our case. Nearly all—I may say all—our large mercantile discount accounts were introduced by Mr. Diaphorus, a Greek commission agent, who was one of our directors; and it was, therefore, almost impossible for our manager to refuse discounting bills, the goodness of which was vouched for, and in many cases indorsed, by a member of the Board, one of his masters. It was—afterwards, when too late, as is generally the case—found out that this same Mr. Diaphorus was himself largely engaged in the discount of indifferent and bad paper. That is to say, he would take the bills of foreign and other merchants who were in a very small way of business—bills that no respectable bill-broker, or no bank of any standing, would so much as look at—and discount them at say ten or twelve per cent., while he indorsed them and re-discounted them at our bank at four or five per cent., thus making a clear four or five per cent. by the mere act of writing his name across the back of a bill.

So long as the commercial barometer marked "set fair," this little game of "heads I win, tails you lose," was an exceedingly pleasant one to our Greek director. He had accepted office in our bank for the sake of carrying out his own views, he had been paid some four or five hundred pounds in shares for joining our direction, and could lose nothing by his speculations, because, as I said in the last chapter, he had nothing to lose. If the fine commercial weather lasted, he was safe to make money. The questionable paper of his foreign and other friends would be sure to be met, and if the mercantile glass fell, and the paper he had discounted at our bank came back upon him, he had only to "burst up" and start afresh; in other words, three or four ten-pound notes, a clever solicitor, a good accountant, and the Court that works in Basinghall street, would act as a wet sponge, and wipe out the score he had run up on the slate of our unfortunate bank.

Mr. Diaphorus was not the only one of our directors who managed to make his seat at the Board a means of profit. By the hands of Mr. Nathan and of Colonel Sabré came military, and through Mr. Watson Swift legal, paper to be discounted. The first

of these—the military stamped paper—was less pretending as to its soundness, less hypocritical as to the probability of its being paid, but much more, theoretically, profitable as to its rates of interest, than any other class of bills brought to us. These little documents had their peculiar characteristics. They were always drawn in even sums—thirty, forty, fifty, or one hundred pounds each—and invariably for the full amount which the stamps on which they were written would bear. There was no sham of odd shillings and odd pence being tacked on to the end of the pounds, to give them a commercial air. They were wholly, solely, and altogether “accommodation” bills, but they had the honesty to avow their character openly. They were generally drawn by one military man—say “G. H. Tomkins, Lieutenant in the 110th Regiment,” at Aldershot—upon another, say “F. A. Jones, Captain in the 23d Hussars,” at Dublin. And so sure as the bill of Tomkins upon Jones was brought to us upon the Monday, as certainly before the Saturday night would that of Jones upon Tomkins be offered to us for discount. The parties who brought us this kind of paper were two of our directors, Colonel Sabré and Mr. Nathan, chiefly the former, who, as we found out later, derived the main part of what little income he had, by “touting” for military and other bill discounters, gentlemen who do business chiefly in the sixty per cent. line. When these bills were offered to our manager, they were invariably said, by those who brought them, to be both drawn and accepted by officers in the army of “large private fortunes, sir.” But when the paper arrived at maturity, it was generally found that the drawer had sailed for the Cape or for India, whilst the acceptor had probably sold out, or gone on half-pay, or was otherwise returned as *non est inventus*. If the manager could get paper of this kind renewed, happy was he; but, as a general rule, he had to hand it over to our solicitor, who charged—either the bank, or the non-paying acceptor, or the drawer of the bill, or perhaps all three—six and eightpence for each letter he wrote, and then began the game of serving writs, so that in the end, if our shareholders lost, why somebody else made, money, and therefore it would be unfair to complain; for what more would you have? And moreover, were not the imaginary profits great? Were these bills not discounted at forty, fifty, or sixty per cent.? It is true that a large commission was given to those who brought them to us, but still, after all said and done, the bank stood to gain at the rate of forty or fifty per cent. per annum, provided the bills were paid, which they seldom or never were. Forty or fifty! Why, I remember a bill drawn by an ex-Lifeguardsman, and accepted by a gentleman who was then, but is no longer, in the Foot Guards. It was drawn for one hundred pounds, at two months after date. For this little document the bank gave seventy pounds, or, in other words, charged interest at the rate of one hundred and eighty per cent. per annum!

There were also what I may call the legal bills which our director, Mr. Watson Swift, or else his brother, who was our

solicitor, brought us. I call these documents "legal" merely because they professed to arise from law transactions, and not on account of their being in any way more lawful tender, or more "safe" to discount, than any other kind of the worthless paper offered to, and discounted by, our bank. The origin of these bills was generally complicated, and always curious. For instance, the friends of some clergyman wished to purchase an advowson for him, or, more truthfully speaking, some clergyman wished to purchase an advowson for himself, in the name of his friends. Let us say that the sum required was three thousand pounds, and of this the intending purchaser was minus five hundred pounds. He would go to his solicitor, and, through some complicated method of giving that individual a lien upon the advowson, as well as of insuring his life and assigning the policy to the lawyer, get the latter to discount his note of hand for five hundred pounds, which note of hand was to be renewed, again and again, on payment of a certain commission. For this discount, the solicitor generally charged his client about ten to twelve per cent., and then re-discounted the document at the bank for five or six per cent., thus making a clear profit of five or six per cent., and having all the time the use of his money. If the client paid the notes of hand at maturity, well; if he did not, the bank had to ask payment of the solicitor, who either compromised the matter, or obtained time, or otherwise had matters "made pleasant" for him. The bank could hardly sue its own legal adviser, and, therefore, as is usual under such circumstances, the unfortunate shareholders were the sufferers.

I have said that, so long as the commercial wind was fair, our director, Mr. Diaphorus, carried on his little game of discounting at ten or twelve per cent., and re-discounting at five or six, with both pleasure and profit to himself. Nor did he hide these good things from others. He introduced to the bank a host of friends, all so-called "mercantile" men, who opened accounts with us, and "did" largely in the discount way. These gentlemen were chiefly foreigners, mostly descendants of the ancient Hellenic race. The bills they brought us were pretty uniform in character. The house of Grovetti & Co., of Odessa, would draw for seven hundred and four pounds ten shillings and eight pence, at three months after date, upon Grovetti Brothers, of London, in favor of Sterrino & Co., also of London. Of course the bill would be duly accepted, and would then be brought to us for discount. If matters went right—if no storm arose—the bill would be duly provided for, at maturity, by the London house drawing upon the Odessa firm, and getting the draft discounted. Had matters been sifted, it would probably have been found that Grovetti & Co., and Grovetti Brothers, were one and the same people, and that if the one house failed, the other was pretty certain to follow suit. If we had merely discounted a few such bills—here a few hundred pounds and there a thousand or two—it would not have been so serious a matter; but when our bill case began to fill with similar



documents, and still more when, in order to keep in funds, the bank had to indorse and re-discount nearly all this paper, matters commenced to look alarming, and the directors began to feel that the foundation of the house was built on sand. The military, the West-end, legal, and "sundry," bills might amount to some hundreds of pounds—a couple of thousands would have nearly paid them all—but the "commercial" paper which had been brought us by Mr. Diaphorus and his friends was a very large item indeed, insomuch that nearly the whole paid-up capital of the bank was seriously compromised.

It may be asked what our directors were about that they allowed the tide to rise so high before becoming aware of the danger they were in? The answer to this is the old tale, often told, and yet, it is to be feared, often to be told again. Of our eight directors, four took little or no practical interest in the bank. Mr. Daunt had joined the bank for the sole purpose of obtaining the secretaryship for me, his nephew. Mr. Daunt's two friends, General Fance and Mr. West, had joined the direction to please Mr. Daunt, and thought that, by showing themselves, from time to time, in the Board-room, they would perform all the duty required of them. These gentlemen put entire trust in the manager, who, in his turn, was almost entirely controlled by the directors interested in getting bills discounted. Mr. Westmore, another director, lived far from London, and never came near the bank oftener than once in six, eight, or ten weeks, when he had not time to look minutely into everything that had been done in his absence. As a general rule, shortly after we began business, there were seldom more than three directors present at the weekly Board meetings, and these were generally the same individuals, Messrs. Diaphorus, Nathan, and Colonel Sabré, all three of whom were more or less interested in obtaining accommodation from the concern, seeing that they could not get it elsewhere, and that if they—more particularly the first named, and the various friends he had introduced to the bank—stopped payment, it was not unlikely that the bank would stop also. To keep the establishment going, they had to keep themselves afloat, and to do this, they had to use freely both the funds and the credit of the bank; in fact, after a time, matters became so that these three, the only directors who took any active share in the management of the concern, were employed, day after day, in propping up their own credit and that of those persons whom they had introduced to discount in the bank.

Just about this time another circumstance occurred which helped greatly to hasten our fall. I should have mentioned that the promoter of the company was Mr. Sterling Swift, who was also our solicitor. This gentleman got five thousand pounds for his share of the promotion money, out of which he was to qualify the other directors for their seats upon the Board. These qualifications were to have been paid in "money or shares," according to the terms of the undertaking with which each director was fur-

nished by the promoter. Had the value of the shares risen—or even if they had been maintained at par—the directors would have been happy to accept the value of what they had to receive in this security. But it so happened that in the city rumors had got abroad respecting the rash, speculative—and even worse—nature of our business, and so our shares were unsalable, save at an immense discount. The directors then stuck to the letter of their contract, and determined to receive their qualification in money, and in money only. To this our promoter objected. Was he to give a hundred pounds for what he could obtain for fifty? Our shares would only cost him one-half of the amount he had to disburse, for they were at a discount of fifty per cent., or even more. On the other hand, the directors said, why should they receive as a hundred pounds what they could only sell for fifty? Thus disputes entered into the Board-room, and set the directors by the ears. Some of these gentlemen had been “squared” by our promoter, in order that they might by a majority carry the proposition, which had been put before them, respecting the payment of their qualifications in shares instead of money. Unfortunately for himself, as well as for the prospects of peace in our Board-room, Mr. Sterling Swift had overreached himself. In “squaring” certain of the directors he had not made use of money, but had given undertakings to pay certain sums by a given day. These undertakings he had not fulfilled, and of course those who had received them—and some of the directors, being more or less needy, had indorsed them to third parties as security for money borrowed or otherwise owing—were not a little angry at faith not being kept with them. One or two of the directors then resigned their seats at the Board, and this fact getting abroad made our position in the city all the more shaky. Our manager declared that he had the greatest possible difficulty in getting any of the bills which he had taken re-discounted at any of the banks or discount houses. More than one of the few good customers we had quietly withdrew their accounts from the bank. Occasionally, if a heavy payment had to be made, there was a want of cash in the till, and parties had to leave notices of drafts, and even sometimes of checks. In short, things looked altogether so bad that the three gentlemen whom I had brought on the direction resigned their seats, nor could I in conscience request them not to do so, although they were the only friends I had on the Board, and their absence greatly altered my position for the worse in the office.

Even at this stage of our affairs there was time to save the bank; and if such of our directors as were left had been honest and solvent men, the concern might yet have pulled through. But your true joint-stock company-monger can do nothing in a straightforward manner, or rather he can—or does, which comes to the same thing—do nothing without having what in his slang he calls his “pull” out of the affair. Tottering as our bank was, a wealthy well-known city merchant, of the very highest respecta-

bility, offered to join the direction, provided the present Board, as well as the solicitor, resigned, and six friends of his own—all men of some standing in the mercantile world—together with six more gentlemen, who were to be selected by the shareholders at large, joined him in the direction. To this, three of the four directors left of our present Board agreed, on certain conditions—these conditions being that each of them should receive two thousand pounds in hard cash, as compensation for the loss of his seat at the Board. The fourth director, Mr. Watson Swift, as well as his brother, the solicitor, altogether declined to resign, but intimated that they had no objection whatever to serve with the new Board. To this the gentleman who had offered to re-establish our credit objected, and at once withdrew his proposition. So the proposition fell through and was no more thought of.

To make matters worse, commercial matters throughout England and the Continent of Europe began just at this time to look very queer indeed. More than one of the firms whose bills we had discounted to a large amount, and had then re-discounted at other banks, failed, and we had at once to find money for these engagements. To meet these and other liabilities a call of five pounds per share was made upon the shareholders, and, wonderful to say, the call was at first pretty well responded to. In the course of a fortnight, some ten or twelve thousand pounds were paid into the bank, and served to stave off the evil day for a time. But the commercial crisis got worse instead of better. Some of our shareholders wanted to realize upon their shares, but found it impossible to do so, unless at a loss of something like seventy-five per cent. Many sold at this price rather than risk losing the whole, and as these sales were very soon known, the value of our stock became still more depreciated. Our directors held on bravely for a time, knowing that their case was all but desperate. As the Bank of England's rate of discount went up week after week, our manager's courage went down. Of business we had little or none doing. Mr. Diaphorus was every day, and all day, in and out of the manager's room. More and more of the paper he had indorsed and discounted with us kept coming back upon him, and to meet it he had no funds. His brother directors, being themselves very much in the same fix, only in a smaller degree, allowed the amount of these bills to be carried to his debit, in what was called a "Suspense Account," and he allowed the same to be done for the liabilities which came back upon them.

Whilst this was going on the shareholders began to murmur. The scrip they held had become utterly valueless in the market, and they feared greatly, from what they heard outside, that the bank would go to the bad, and they would be called on to contribute still further upon their shares. Day by day did we receive letters—letters of indignation and of remonstrance, letters demanding information and demanding explanation—from our shareholders in the country; whilst one or other of those resident in

London came daily to the office to ask how matters were going on. It was now that my troubles as secretary commenced. I had to reply to all the angry letters that came, and see all the indignant shareholders who called. One old gentleman, a Dissenting clergyman from one of the Eastern Counties, shook his fist in my face, and threatened if I did not on the spot give him a check for five hundred pounds, the amount he had paid up upon fifty shares, he would have me up before what he called "the Lord Mayor and all the aldermen." I began to feel that my lines had not been cast in pleasant places, and, to avoid all unpleasantness, began to keep out of the office as much as possible. I heartily wished that I had never formed any acquaintance either with Mr. Sterling Swift or "The Grand Financial and Credit Bank."

At last the beginning of the end came Mr. Diaphorus, in spite of every financial scheme and dodge, in both of which he was no mean adept, was obliged to stop payment, and to avoid being provided with free lodgings in Whitecross street, had to take out his protection in the Bankruptcy Court. By our Articles of Association he could no longer sit at our Board as a director, and of the three directors left, one, Colonel T. Sabré, found it more convenient to betake himself to the Continent, as he was laboring under a slight suspicion of debt, and had in his pocket more than one printed slip of paper, on which the first words were "Victoria, by the Grace of God." The only directors now left were Mr. Watson Swift, brother of our solicitor, and Mr. Nathan—for Mr. Westermore, a canny North countryman, who seldom came to London, had left the ship when the first signs of the storm came on. According to our Articles of Association, not fewer than three directors could form a Board; thus our vessel was left without any one to direct her, and affairs were brought to a stand-still.

Now commenced the legal race as to who should win the prize of winding up the company in Chancery. Every solicitor who knew any shareholder of the bank tried to be put in the field; nay, our own Mr. Sterling Swift, the promoter of the company and the very author of its being, tried hard to get the job, which was worth a couple of thousand pounds to the fortunate lawyer who obtained it. I did hear it said in the bank that Mr. Sterling Swift had had the petition to wind us up in Chancery for many weeks in his pocket, and that he only waited for a favorable opportunity to use it, being in the meantime busy getting "undertakings" from others, by which he could make something more out of the concern. But however this was, Mr. Sterling Swift was not fated to kill his own child, for although he tried hard, he did not obtain the winding of us up. There was an indignation meeting of the shareholders, and they appointed their own solicitor to wind us up, the petition being duly granted by the Vice-Chancellor. In a very short time the shutters of our office ceased to be taken down, and thus ended the history of "The Grand Financial and Credit Bank of Europe and America (Limited)."

### SOME ASPECTS OF THE ABERDARE PANIC IN LONDON.

One of the most noteworthy facts in regard to the late financial troubles in England is that they have caused so little excitement there. The failures exceed \$100,000,000. They have thus, probably, reached as high an aggregate as those of 1857, and fall very little short of the aggregate of 1866. Still there has been no general stringency in the money market, and the violent paroxysms of terror and excitement which have marked previous financial convulsions have been almost wholly wanting. In short, as has been said, our British cousins have "had a financial panic shorn of the usual symptoms of panic."

The reasons of this singular anomaly are well worthy of examination. It is somewhat strange that no English writer has undertaken to investigate them. This omission offers an illustration of the practical character and slow movements of the British mind. In Germany, France, or the United States, a multitude of expositors would have pounced upon such a fact, and would have made it the theme of discussion until the public mind was thoroughly enlightened as to all the lessons it could teach, and as to all the circumstances needful to appreciate those lessons. When the history of this panic comes to be written we shall doubtless find that much of the financial tranquillity that has distinguished its course has been due to the judicious management of the Bank of England. No financial failures of equal magnitude have for many years occurred in London without causing the Bank of England to put up its rate so as to throw the money market into spasms of violent stringency. Nothing of the sort has been done on this occasion. The London *Economist* and certain other journals were short-sighted enough to urge the Bank to take the usual course of putting up its rate of interest. But happily the advice was not taken, and the managers of the Bank of England were fortunate enough to find other means of keeping up and strengthening their gold reserve without resorting to this dangerous expedient of advancing the rate of interest.

Another important cause of the recent stability and quietude of the British money market is the growing knowledge of the age in which we live. In a less intelligent community, whose information and experience were but scanty on financial questions, panics in the money market used to be regarded with the same unreasoning terror with which the plague, the black death, and similar epidemics were regarded centuries ago. Hygienic science has taught men to prevent the latter evils, and financial science is instructing the world how to prevent the former. If the panic of 1866 had been treated in England with as much intelligence and

judgment, it is highly probable that the conflagration would have been far less destructive than it was. The fatal mistakes then made were, perhaps, necessary as a condition for the acquisition of the improved wisdom and skill in the treatment of like troubles in the future. It remains to be seen whether the banks whose eager impetuosity to increase their business has for years placed financial facilities in the hands of penniless speculators, will abstain from such reckless ventures hereafter, and will strengthen themselves by more adequate cash reserves. These institutions have had a first warning. It is to be hoped they will heed the monition and obey it. They have had more than thirty-five years of singular prosperity, which can only be hoped for hereafter as the result of more caution to avoid bad business and to keep heavy reserves of cash. The expense entailed by the new policy is no loss. To call it a loss is an abuse of terms. It is a necessary expense incident to their business, and indispensable to safety and success.

Moreover, an efficient cause of the steady quietude of the financial machinery during the recent pressure, is the enormous increase of capital which is so conspicuous throughout the commercial world. It is the characteristic of great machines to bear with ease a burden and to overcome a pressure which would be destructive to mechanism of less power. A Parliamentary paper lately showed how wonderfully the industrial machinery of England had grown during the last thirty years. In 1844 the population of the United Kingdom was 27,525,119; in 1874 it had increased to 34,412,010. The Government revenue had increased from 52 millions sterling in 1844, to 77 millions in 1874. The exports of British produce had increased from 58 millions to 29,239 millions sterling, and the imports for home consumption from 75 millions to 368 millions sterling. A still more decisive proof would be given of the prodigious development of the productive powers of England during this period, if the report had furnished some accurate statistics as to the increase of steam-engines and of labor-saving machinery. What is important to our present argument is the fact that the financial and industrial growth of Great Britain is giving more stability to that part of her financial machinery which was in former years so disastrously sensitive to the periodical effects of frequently recurring panics. There is another view of this question which merits a more profound analysis than is possible in this place. We refer to the central position in the republic of commerce and finance which England has so long occupied with honor to herself and advantage to other countries. Since the suspension of specie payments at the beginning of the war, England has become the Clearing-House of the commercial and financial world. The immense amount of capital whose movements thus center in London, is a factor which must be taken into all our estimates of the growth in late years of the financial system of Great Britain. Moreover, the actual British trade with other nations has received considerable expansion of late years. We find an illustration of this in the admirable paper of Mr.

Stephen Bourne, read before the London Statistical Society, 18th May, 1875. From Mr. Bourne's figures we compile the following tables, showing the rapid growth of British commerce since the year 1854:

## IMPORTS OF GREAT BRITAIN, 1854 TO 1874.

<i>Country from which imported.</i>	1854.	1859.	1864.	1869.	1874.
United States.....	£ 29,795,000	£ 34,294,000	£ 17,924,000	£ 42,573,000	£ 74,109,000
Russia.....	4,252,000	13,548,000	14,713,000	16,675,000	21,404,000
Sweden and Norway...	3,879,000	3,530,000	5,099,000	6,354,000	10,978,000
Denmark*.....	2,808,000	2,648,000	1,844,000	2,301,000	3,903,000
Germany.....	16,294,000	10,489,000	15,150,000	18,354,000	19,973,000
Holland*.....	6,996,000	7,053,000	11,766,000	13,059,000	15,810,000
Belgium.....	3,631,000	3,533,000	6,411,000	9,391,000	14,937,000
France *.....	10,597,000	16,900,000	25,896,000	33,662,000	46,692,000
Portugal*.....	2,487,000	1,803,000	2,739,000	3,407,000	4,696,000
Spain *.....	7,825,000	7,717,000	13,194,000	13,090,000	12,850,000
Italy.....	2,370,000	2,583,000	2,693,000	3,998,000	3,599,000
Turkish dominions.....	2,775,000	3,821,000	6,306,000	9,060,000	6,579,000
Egypt.....	3,356,000	8,572,000	19,602,000	16,796,000	10,458,000
Brazil.....	2,084,000	2,829,000	7,021,000	7,312,000	7,020,000
Chili.....	1,381,000	1,970,000	3,162,000	3,635,000	4,693,000
Peru.....	3,139,000	1,645,000	2,655,000	3,992,000	4,490,000
China and Hong Kong.	9,125,000	9,014,000	15,549,000	9,903,000	11,916,000
Other.....	5,446,000	7,749,000	12,366,000	11,764,000	14,734,000
Total foreign.....	£ 118,240,000	£ 139,708,000	£ 184,090,000	£ 225,326,000	£ 288,851,000
British North America..	£ 7,192,000	£ 5,474,000	£ 6,851,000	£ 7,735,000	£ 11,772,000
West Indies.....	6,181,000	5,678,000	9,447,000	6,175,000	6,401,000
Australia.....	4,302,000	5,835,000	10,039,000	12,147,000	18,519,000
East Indies.....	12,974,000	18,007,000	57,539,000	39,308,000	37,478,000
Mauritius and S. Africa	2,369,000	3,324,000	3,566,000	3,393,000	5,333,000
Other.....	1,131,000	1,156,000	3,420,000	1,376,000	1,871,000
Total British possessions	£ 34,149,000	£ 39,474,000	£ 90,862,000	£ 70,134,000	£ 81,374,000
Total.....	£ 152,389,000	£ 179,182,000	£ 274,952,000	£ 295,460,000	£ 370,225,000

\* Including colonial possessions.

## EXPORTS OF GREAT BRITAIN, 1854 TO 1874.

<i>Country to which exported.</i>	1854.	1859.	1864.	1869.	1874.*
United States.....	£ 22,333,000	£ 24,418,000	£ 20,172,000	£ 26,788,000	£ 32,300,000
Russia.....	74,000	6,359,000	6,086,000	9,654,000	11,300,000
Sweden and Norway...	1,093,000	1,444,000	2,249,000	2,503,000	7,300,000
Denmark.....	1,032,000	1,611,000	2,222,000	2,271,000	3,300,000
Germany.....	13,106,000	16,059,000	24,824,000	32,072,000	34,500,000
Holland.....	7,602,000	9,353,000	15,019,000	19,504,000	22,600,000
Belgium.....	3,354,000	3,703,000	5,920,000	8,913,000	12,900,000
France.....	6,418,000	9,600,000	23,860,000	23,340,000	29,400,000
Portugal.....	1,659,000	1,795,000	2,759,000	2,297,000	3,500,000
Spain.....	3,036,000	4,720,000	8,007,000	5,100,000	7,700,000
Italy.....	2,691,000	4,392,000	6,935,000	7,240,000	7,500,000
Turkish dominions.....	3,093,000	4,808,000	7,899,000	8,258,000	8,900,000
Egypt.....	1,367,000	2,547,000	6,196,000	8,073,000	3,600,000
Brazil.....	3,011,000	3,841,000	6,369,000	7,121,000	8,000,000
Chili.....	1,466,000	1,510,000	1,720,000	2,044,000	2,900,000
Peru.....	971,000	896,000	1,355,000	1,130,000	1,800,000
China and Hong Kong	1,026,000	4,587,000	4,988,000	9,241,000	8,800,000
Other.....	6,115,000	6,430,000	12,020,000	11,529,000	13,800,000
Total foreign.....	£ 79,447,000	£ 108,053,000	£ 158,660,000	£ 187,378,000	£ 220,100,000
British North America..	£ 5,481,000	£ 3,966,000	£ 6,268,000	£ 5,910,000	£ 10,200,000
West Indies.....	2,213,000	2,387,000	4,039,000	2,926,000	3,700,000
Australia.....	13,405,000	12,495,000	12,924,000	14,382,000	20,800,000
East Indies.....	10,575,000	22,937,000	24,629,000	21,168,000	28,900,000
Mauritius and S. Africa	1,386,000	2,627,000	3,055,000	2,043,000	5,200,000
Other.....	3,314,000	3,228,000	3,013,000	3,208,000	8,600,000
Total British possessions	£ 36,374,000	£ 47,640,000	£ 53,928,000	£ 49,637,000	£ 77,400,000
Total.....	£ 115,821,000	£ 155,693,000	£ 212,588,000	£ 237,015,000	£ 297,500,000

\* Partly estimated, where goods of foreign production are included.

As might have been expected the panic has seriously impaired the profits of the London joint-stock banks. These institutions were responsible for many of the evils which brought on the trouble. It was natural, therefore, to anticipate that they would suffer heavily. The *Economist*, of 7th August, says on this point: "The revelations of the last few months had quite prepared the public to find that consequent on the failures between March and July of numerous large houses—the most conspicuous being the Aberdare Iron Company and Alexander Collie & Co., of Manchester—the joint-stock banks and the discount companies had sustained losses of a magnitude which would render necessary reductions of dividend and reductions of reserve. The official reports exhibit, in great measure, the extent of these reductions. The figures set forth amount to close upon a million sterling as regards nine of the banks and discount companies included in the following table; and, of course it is to be remembered, that it is almost impossible to ascertain at the outset the real extent of loss arising under such exceptional circumstances.

LONDON JOINT-STOCK BANKS AND DISCOUNT COMPANIES—SUMMARY OF  
PROVISION MADE FOR BAD DEBTS, JUNE 30, 1875.

Dividend first half of			Banks.	Paid less as	Taken from	Total.
1874. p.c.p.a.	1875. p.c.p.a.	'75 less. p.c.p.a.		Dividend. £	Reserve. £	
20	10	10	.. London and Westminster.....	100,000	400,000	500,000
20	15	5	.. London Joint-Stock.....	30,000	22,000	52,000
20	15	5	.. Union .....	35,000	65,000	100,000
10	8	2	.. City .....	6,000	29,000	35,000
8	8	0	.. Imperial .....			
8	6	2	.. Alliance.....	8,000	27,000	35,000
20	16	4	.. London and County.....	55,000	75,000	130,000
				234,000	618,000	852,000
16	10	6	.. National Discount.....	24,000	104,000	128,000
7	6	1	.. United Discount.....	1,500		1,500
				259,500	722,000	981,500

"The special circumstance in connection with these losses has been the discovery of a most astute and extensive system of accommodation bills kept in circulation by some of the largest of the failed houses—the greatest offender being Alexander Collie & Co., East India merchants, of Manchester and London. The plan of this house, it appears, was to affiliate with it a large group of houses upon whom it drew bills, which were made to bear every appearance of ordinary trade bills; and it then passed off these bills to the discount brokers, by whom they were deposited as security for advances mainly with joint-stock banks. At the meeting on 21st July of the National Discount Company, the chairman, Mr. Matthew H. Chaytor, said: 'They were aware that the largest losses had been made through Alexander Collie & Co., of Manchester and London. It had been objected to the directors that they did too large a business with Messrs. Collie. He had to say that Mr. Collie's account had been open for seventeen years, and



the amount of transactions with him had been very large indeed. He had never seen an acceptance of Mr. Collie's, though he had seen his name as a drawer of bills. The amount they had under discount for Collie & Co. was large, but it was spread over fifty-seven different houses, and in no case was the amount of each more than £10,000. It was almost incredible that so wide-spread a conspiracy should exist among men of high commercial position. Of the fifty-seven houses twenty-two had failed, and it was now clear that in several of these cases Collie's bills had been accepted for a mere commission.' The statement made by Mr. Chaytor was in substance the same as the statements made at the meetings of the joint-stock banks.

"Three general conclusions seem to be unavoidable: First—The banks allow too high rates on deposits, and hence place themselves under the strongest temptation to avoid loss or make profit by taking inferior bills. Moreover, these high rates attract to the banks too large a proportion of the floating capital of the country. Second—The banks in mere self-defense should abandon the traditional plan of following the Bank of England minimum in fixing the allowance on deposits. Third—The machinery of the joint-stock banks for managing the enormous sum of nearly one hundred millions of deposits held by them requires to be enlarged, strengthened, and improved, if disasters are to be avoided."

Of course it is easy to see that the business of the Clearing-House would be very likely to suffer. On examination, we find that this is so. The reports of the Clearing-House during the period under review are as follows:

<i>Week ending</i>	1875.		1874.		<i>Increase + or Decrease — in 1875.</i>
March 31.....	£107,727,000	.....	£124,851,000	—	£17,124,000
April 7.....	120,313,000	.....	91,072,000	+	29,241,000
14.....	93,999,000	.....	122,589,000	—	28,590,000
21.....	140,952,000	.....	107,477,000	+	33,475,000
28.....	84,824,000	.....	116,590,000	—	31,766,000
May 5.....	139,869,000	.....	119,118,000	+	20,751,000
12.....	94,052,000	.....	102,340,000	—	8,288,000
19.....	119,503,000	.....	141,751,000	—	22,248,000
26.....	91,297,000	.....	83,795,000	+	7,502,000
June 2.....	114,046,000	.....	129,654,000	—	15,608,000
9.....	92,950,000	.....	98,230,000	—	5,280,000
16.....	125,397,000	.....	136,269,000	—	10,872,000
23.....	95,770,000	.....	97,705,000	—	1,935,000
30.....	107,254,000	.....	134,436,000	—	27,182,000
July 7.....	112,786,000	.....	116,081,000	—	3,295,000
14.....	101,579,000	.....	111,837,000	—	10,258,000
21.....	122,539,000	.....	135,605,000	—	13,066,000
28.....	83,523,000	.....	89,556,000	—	6,033,000
Total.....	£1,400,565,000	.....	£1,496,377,000	—	£95,812,000

The conclusion would, therefore, seem unavoidable that the recent scare has contracted business in Lombard street, whatever has been the general effect throughout the country. Hence the

abundance of money and scarcity of bills which are increasingly noticeable. The diminution is not occasioned by a falling off in business on Stock Exchange settling days, which, on the contrary, has rather increased, viz.:

## STOCK EXCHANGE SETTLEMENTS.

		1875.		1874.		<i>Increase + or Decrease — in 1875.</i>
March	30.....	£53,778,000	.....	£40,390,000	+	£13,388,000
April	15.....	48,510,000	.....	37,075,000	+	11,435,000
	29.....	42,250,000	.....	40,612,000	+	1,638,000
May	14.....	41,258,000	.....	44,812,000	—	3,554,000
	31.....	38,530,000	.....	42,103,000	—	3,573,000
June	16.....	40,371,000	.....	43,506,000	—	3,135,000
	30.....	40,198,000	.....	48,775,000	—	8,577,000
July	15.....	41,556,000	.....	44,233,000	—	2,677,000
Total.....		£346,451,000	.....	£341,506,000	+	£4,945,000

We have said that some aspects of the London panic have not as yet been discussed by English writers. There has, however, been no lack of discussion of the general subject. One of the best of the numerous communications that have been published on the monetary troubles is the following, which appeared in the *London Times*, 20th July. The facts stated in it are as worthy of consideration here as abroad:

“The great failures which occurred at the end of May were referred to at the time by a writer on monetary matters as ‘the scare.’ Perhaps it might now be profitable to reflect somewhat more seriously on the long list of failures which have been announced during the past two months. The bank returns are now good, and capital is abundant; the investigation, therefore, may be thorough and honest without any fear that telling the whole truth may help to create a panic. During the period I have noted down the failures as they have been announced. My list may not include all the failures, but I find that I have the names of 23 firms who have failed for sums of over £100,000 each, and the sum total of these announcements is £18,553,000. I have also the names of five firms whose liabilities were undoubtedly very large, but the amounts have not been published. It will not be an excessive estimate, therefore, if we state the important failures of the past two months at £20,000,000. Of course a large proportion of this—probably one-half—is nominal, but that will leave the sudden and heavy loss of ten millions to be borne by the banking and trading communities.

“Each great monetary crisis has had its distinguishing feature. The recent scare may be described as ‘the kite-flying collapse.’ Bills of exchange, adroitly distributed over most of the banks of the three kingdoms, have been found to be fictitious, in that they were only nominally drawn for ‘value received.’ In some cases they have been drawn so as to be very designedly deceptive, for the shipping marks, purporting to be copied from the bills of lading, have been set forth on the bills of exchange, when, in reality,

there have been no shipments whatever. This would appear to be a legal way of obtaining money under false pretenses. On the other side of the Channel, such an act would be criminal; and, when it is remembered that the French are perfectly free from the class of failures which have so discredited us, is not the cause mainly to be attributed to the fact that with them a lie on the face of a bill of exchange is legally a fraud? I have heard how several firms of the highest respectability have lent their names to fictitious paper; but they would have been the last to commit the act if the laws had made it guilty as a robbery or forgery. Nor can the law which allows merchants to trade under other names than their own be defended. Men without means succeed to businesses of world-wide repute. The style of the old firm is retained, although its partners are long since dead, and thus bankers, bill-brokers, and distant correspondents are very frequently misled. I am aware that some of the very best houses still trade under old names, but such would be no losers by altering a practice which is forbidden abroad, and which here is the plan by which men who have no capital frequently get credit. The bankers, however, have mainly to thank themselves for their recent heavy losses. The practice of forcing so much of their money on the discount market has given the greatest encouragement to the manufacture of fictitious paper. In the balance sheets of the banks, money lent at call to the brokers is very frequently classed under the head of cash, whereas it is simply money lent on the security of bills, and cannot be in any sense cash in hand. It was this practice, on the part of the banks, which, during the greater part of 1874, caused the market value of loanable capital to be a-half to 1 per cent. below the *minimum* bank rate. We see the result in the recent failures. Had the banks maintained larger cash reserves, they would not have been losers in interest, as they would have got higher rates for the money lent in their own businesses. This brings me to the most important consideration of all, viz., the low point at which the bankers' balances in the Bank of England have been maintained. By the Parliamentary paper stating the Bank returns for 1873, we know that the average amount of the bankers' balances with the Bank of England for that year was £8,536,000. This sum constituted the only real banking reserve for all the banking liabilities, other than those of the Bank of England, of the United Kingdom. Those liabilities for March, 1873, were estimated by Mr. Palgrave to be over £500,000,000. The insufficiency of this reserve is indeed alarming, and it is to be hoped that the great banks are now awakening to a sense of this. The 'Other Deposits' in the Bank of England (under this heading the bankers' balances are included) have increased from £17,000,000 on the 19th of May to £26,000,000 by the last return. Allowing £3,000,000 for the usual increase from the dividend money, the return indicates an increase of £6,000,000 in the bankers' balances during the two months. Happy will it be if the lesson of the scare of 1875 shall save our great banking companies from working with insuf-

ficient reserves, and thus, sooner or later, bringing down upon themselves and the country a monetary crisis far more disastrous than any we have yet experienced."

On this communication our contemporary has some timely remarks. He supports the views we have several times expounded of late on the subject of the reserves of the Bank of England, and urges the obligation of every bank which receives deposits to be at the expense of providing the cash reserves needful to protect its own solvency.

This is in direct opposition to the views of the joint-stock banks. They contend that the Bank of England is bound to keep enough coin reserve for the whole system of banks that are its rivals in business. It is the "Bankers' Bank" they say, and consequently it is under an obligation to help with its reserve any of its neighbors who may, in a crisis, run short of reserve. The *Times* discusses this claim as follows:

"The bank cannot be expected to keep an undue proportion of idle money for other people's use when they get into difficulty through their own imprudence. The Bank of England reserve is now larger because the reserves of the other banks are larger. They have been frightened into augmenting their reserves, and have to bear their due share of loss, which is as it ought to be. At the shareholders' meetings which have yet to be held, it may occur to some one to recommend the managers of banks to show less zeal in future in placing out at call all the money they dare not lend except for very short periods. The losses which some institutions have made through paying more attention to the business of lending their surplus balances than to the examination of the security upon which they were lent, will swallow up more than the interest upon the "call money" that has been scraped together for years past. Bank management which strives in all conditions of trade to pay the same high dividend will find in the long run that there is no escaping the penalty of defying the universal law of compensation. The banks which have been trying to make the biggest profits have suffered the heaviest losses. Some minor institutions have been congratulating themselves that the late failures have not touched them. One of the reasons is, although they are perhaps not aware of it, that they were luckily too small for such gigantic operations as the Collie and Aberdare financing involved. If we are not mistaken, it was no fault of their own that one or two of them are not ranking as creditors upon the estates of the two largest concerns which have become bankrupt, and, while congratulating them on their narrow escape, we may hope that in future no monetary institution will trust so much to one name, or will be so eager to leave every penny it does not want at the moment out at interest."

We will close with one further extract from an eminent English writer, whose name is familiar to many of our readers. In reply to a request that he would express his views of the recent credit crisis in England, Professor Bonamy Price has furnished the following letter, addressed to the *Indianapolis Sentinel*:

"The question you put to me has reached me to-day. I send you the best answer I can make to it with the information now at my disposal. The half-crisis in the London banking market has obeyed the universal law of all crises. There has been, first, a destruction of capital, and then, secondly, a scare in the banking market. Who is to bear the losses ?

"1. Wealth has disappeared chiefly in matters connected with the iron trade. Bad business has been going on for a long time. The iron made has far from reproduced the capital which it cost to make; and capital not reproduced after its consumption means impoverishment, diminution of actually existing wealth. There has been a large consumption of food, clothing, materials and tools by the workers in iron; the iron produced has not fetched back equivalent corn from America, wool and cotton from divers countries, meat and butter from England, and so on. The nation is poorer, fewer things in it, smaller means for sustaining future industry. This waste had been going on for a long time undiscovered. Houses engaged in some other trades had run a similar career. Business ended in losses, which must never be regarded as a diminution of money, but of goods, of wealth, which money only places in different hands.

"2. Then came the day of discovery, the day of settlement and alarm. The firms which had continued on these operations stopped at last; and then the banking community found itself loaded with pieces of paper, bills, which it had imagined could command the money expressed upon them. This was a revelation of nothing short of bad banking. Agitation and alarm immediately sprang up. Who would have to bear the losses, and to what extent would they run? It was discovered that there had been clever machinery at work, by which penniless people had put two or more names to worthless bills, drawing upon one another without any property to pay the sums they were pledged to, and then had contrived to get these bills discounted by a considerable number of banks—that is, had sold these bills to these banks and obtained the money for them. The banks had been overreached. They had not had the wit to perceive that these were bad bills, with worthless names upon them, and, as is alleged, palmed upon them by clever rogues. The banking world then felt very uneasy. How far was the revolution to proceed? How many of the bills discounted by bankers and bill brokers would prove to be worthless pieces of paper? We were very near upon a real crisis; but the mischief stopped short of one, because it was gradually perceived that the loss fell upon banks able to bear it, and not likely, by failing themselves, to extend the agony as to how many persons who had given credit to others would have no chance of being repaid. The banks have been very smartly bit by their eager, reckless, and bad banking. Then the evil ended in the money market, and alarm calmed down. The loss of capital to England, caused by the consumption of wealth in the iron and other trades, which was not replaced by goods of equal value produced, remains; time alone can cure that."

## THE REPORT OF THE FOREIGN LOANS COMMITTEE.

The increasing demand for several descriptions of American securities in Europe gives importance to the report of the Committee of the British Parliament on Loans to Foreign States, which was presented on the 30th of July to the House of Commons. This document comprises the investigations of several months and is very elaborate. It gives an account of several loans made to the Republic of Honduras, to San Domingo, to Costa Rica, and to Paraguay. The general deductions of the Committee from the facts are these: First, "that the agents who introduced the loans to the public seem to have been regardless of the financial resources of the borrowing State; second, that the resources of the States whose loans were investigated by the Committee would have been found inadequate to meet the liabilities incurred; third, that in all the loans but one brought before the Committee the borrowing governments have repaid no part of the indebtedness incurred in respect to these loans except from the proceeds of the loans themselves."

The first half of the report is taken up with an examination of the causes which have facilitated the floating of such loans. Part of the blame is attributed to the Stock Exchange, whose inquiries are too superficial into the circumstances or conditions of new loans, the truthfulness of the prospectus, or the solvency of the borrowing State. The Committee say, however, that "the principal cause, compared with which all others sink into relative insignificance, is undoubtedly the means employed in order to induce the public to apply for a loan. A clear and striking delineation of these proceedings may be found in the evidence of Mr. Scott, and the counter testimony of Baron Erlanger and Mr. Albert Grant. This is the method of proceeding. In some cases it is certain, in others probable, that a loan, if simply advertised and left to the judgment of the public, will fail. The problem which the class of financiers to whose operations attention has been principally directed have undertaken to solve is, given such a loan, to provide that the whole of it shall be subscribed for. Before the loan is advertised a secret agreement is entered into between the agent or contractor for the loan and one or more persons of capital and influence, who if numerous are called a syndicate, to take such portion of the loan as is deemed necessary, on terms much more favorable than those on which it is to be offered to the public. Sometimes a portion of the loan is taken 'firm,' that is, the transaction is final and complete; but sometimes terms are introduced by which the syndicate or contractors may throw back their liability on the borrowing State. When these arrangements are concluded the loan is advertised. The period between the

advertisement and the allotment is the opportunity of the syndicate or contractors. Although no scrip is in existence, they contrive by purchases and concerted dealings on the Stock Exchange to raise the loan to a premium, and this premium is maintained at any cost till the period of allotment is over. As the loan is issued at a fixed rate, and is kept at a premium, there is a clear profit to the allottee, and many persons subscribe only with the view of realizing this profit. Others, less versed in the mysteries of the Stock Exchange, subscribe with a view to hold the loan, being influenced by the fact that it is above issue price, a fact which can only be accounted for, as they think, by the belief of the public that they will not be able to obtain any considerable allotment, that the price of the loan will consequently rise, and that it is better to make sure of obtaining what they want by a moderate sacrifice than run the risk of having to pay more when the loan has once been allotted.

"The next is to forward a certificate to the Committee of the Stock Exchange that the whole loan has been unconditionally allotted, and is in the hands of the public. By these means, a quotation on the Stock Exchange is procured, and the operation of floating the loan is completed. Then comes the reverse of the process. Those who have hitherto, as above described, been purchasers now become sellers; if possible, the premium is maintained, and thereby a profit secured to them. But, owing to the favorable terms on which the issuing of the loan has been contracted for, the stock may be sold at a discount and yet yield a considerable profit. The position is still more favorable when, as in the case of the Paraguay and Second Costa Rica loans, the agents of the respective Governments have authorized the buying back for their account any portion, or even the whole of the loan at the issue price to the public. Your Committee are informed that the essence of this operation is profound secrecy. Of course operations, the intention and effect of which are to tempt people to buy scrip by creating an artificial price, must be carefully concealed from those who may not unreasonably be called the victims. It was stated to your Committee that, if a law were passed making the action of syndicates public, it would drive all transactions in public loans to foreign countries. Your Committee do not hesitate to say that, if these are the only terms on which the profits arising from such loans can be retained in England, they will be too dearly earned at such a price."

The Committee then proceed to show that the Stock Exchange is a body whose constituents and surroundings are not compatible with the judicial candor and impartiality which are indispensable for its functions as an arbiter of foreign loans. The Committee argue this point with great force, and contend that the evils may be met by legislation. Their report concludes as follows:

"Your Committee have carefully considered the bill for the compulsory registration of foreign loans, and have examined two members of the House, whose names are on the back of it.

They do not think that it will be expedient to proceed further with the measure. Registered documents are seldom inspected until the mischief against which they might have guarded is done, and are more useful in furnishing weapons for litigation than safeguards against loss. To declare unregistered documents to be null and void, would be certain to produce much confusion and injustice; and yet, without such a provision, persons entering into questionable contracts and combinations would run the risk of actions or penalties rather than disclose matters which they have the greatest interest to conceal. It is, besides, easy for such persons to transport themselves beyond the jurisdiction of English Courts, as the evidence taken before your Committee proves. Your Committee prefer to trust to the plan of requiring certain matters to be stated in the prospectus, which appears to afford the best security for full disclosure which the case admits of. The Companies Act of 1867 affords a precedent for requiring certain things to be stated in the prospectus, and for making false statements or willful omissions a ground for a civil action. This principle might be applied in the case of a prospectus for a foreign loan.

"They think the prospectus should state (among other things): 1. The authority from the borrowing State. 2. The public debt of the State. 3. The revenue of the State for the preceding three years. 4. In case of special hypothecation, a full statement of the revenues, lands, forests, public works, or other property upon which the proposed loan is secured, and of prior charges, if any, upon such security. 5. A statement that no part of the proceeds of the loan is to be applied in buying back any of the stock, or (as the case may be) the amount, if any, which the borrowing Government reserves to itself the right to repurchase and cancel. 6. The funds out of which the interest is to be met during the next five years.

"Your Committee have been much impressed, in the course of their inquiry, with the great importance of the functions exercised by the agent or contractor for a foreign loan. Considering that in several of the cases which they have examined there has been something closely resembling repudiation, based upon the alleged misconduct of the agents in this country, they cannot escape the conviction that the proper discharge of these duties is a matter of importance, not only to the subscribers, but to the nation at large. They submit to the wisdom of Parliament, whether it is proper that an office, on the due exercise of which depends in no small degree our good understanding with the borrowing country, and our reputation for honesty and good faith, should be exercised by any person who may choose to undertake it, or, worse still, to whom the representatives of some petty or insolvent State may choose to intrust it.

"In conclusion, your Committee feel bound to express their conviction that the best security against the recurrence of such evils as they have described will be found, not so much in legislative enactments as in the enlightenment of the public as to



their real nature and origin. Your Committee hope that the history of the foreign loans embodied in this report will tend to enlighten the public, and to render it more difficult for unscrupulous persons to carry out schemes such as those which, in the cases on which it has been the duty of your Committee to report, have ended in so much discredit and disaster."

---

## THE ORGANIZATION OF CREDIT BANKS.

BY W. T. THORNTON.

Credit Banks\* may be described as coalitions of artisans or handicraftsmen formed for the purpose of borrowing, on their aggregate credit, money to be subsequently lent to individuals amongst themselves. Each associate is required to be an able workman, and in employment sufficiently regular to insure his being able to contribute, by periodical subscriptions, a prescribed share of the requisite capital. Each associate, too, renders himself liable for the debts of the association to the full extent of his private property, and though of such property no single associate may possess more than a very small quantity, almost every one possesses some little, and, "many littles making a mickle," a sensible amount is the result, upon the joint security of which amount, and of the share and reserve capital of the bank, whatever sum is obtained on loan becomes available for distribution on loan among the separate shareholders. No loans, however, are made except to shareholders, or to any even of these excepting such as are of recognized worth, moral and industrial, or even to them except for the purposes of their several occupations, and that only on a scale commensurate with their ascertained requirements, or in general for periods of more than three months, or, if the loan be more than half as much again as the borrower's share in the capital, without material security or personal sureties. Then the entire net profits of the first year, and a certain percentage of those of succeeding years, are set apart in order to form, together with the entrance fees of members, a reserve fund to meet emergencies. In this way the risk is rendered exceedingly small, and, in comparison with the security, so small that in practice capitalists are found ready enough to lend ten times the amount of the paid-up capital, which is the utmost that Credit Banks can borrow without breaking their own laws. The interest they have to pay does not usually exceed  $4\frac{1}{2}$  per cent. The rates at which they lend vary from  $6\frac{1}{2}$  to  $14\frac{1}{2}$  per cent., the

\* This account of the Credit Banks forms part of the Fourth Book of Mr. Thornton's instructive essay on "Labor; its wrongful claims and rightful dues." The solution of the disputed problems of labor and capital lies, according to this author, in the establishment of a closer alliance between the moneyed class and the laboring class. One of the means devised in some countries for promoting such an alliance is the establishment of Credit Banks. This peculiar point of view from which Mr. Thornton discusses the Credit Banks must be kept in mind in our estimation of the force of his argument.

highest of which may seem moderate to men among whom, according to M. Morier, before they joined the association 60 per cent. was a common borrowing rate, and 700 per cent. one not unheard of.

These are the outlines of a system the conception and elaboration of which are due solely to M. Schulze Delitzsch, and do high honor to their distinguished author. Not the least among its merits is the provision it makes for the solidification and amplification of its own basis. It is ordained that the amount for which credit is pledged shall from the outset not exceed a certain proportion to capital, and a course is marked out, continued adherence to which will gradually lessen and eventually obliterate that proportion, and do away entirely with the necessity for resort to credit. According to rule, the realized capital of one of M. Schulze's banks is never to be less than 10 per cent. of the whole trading capital, is to be raised as rapidly as possible to 20 or 25 per cent., and is ultimately to reach a maximum of at least 50 per cent. There is, however, no reason for its stopping there. It might be left to go on increasing until it becomes cent. per cent., when realized capital and trading capital would become one and the same thing. In regard to solidity, the system would then approach very nearly to perfection. Neither for this would it be necessary for the shareholders to make any extraordinary efforts or sacrifices. They would not have to increase their subscriptions proper beyond what might otherwise have been requisite. They would simply have to content themselves for a time with dividends at the current rate of interest on their paid-up shares, and to allow all surplus profits to go toward augmentation of the reserve fund. Neither would they have to do this for a very lengthened period. The profits of the business done with the share capital would suffice of themselves to pay ordinary interest on that share capital, so that the entire net profits of the borrowed capital would remain available for other appropriations. These latter profits, it may be presumed, would be at least 3 per cent. and increasing, as if applied in the manner supposed they would do, at the rate of arithmetical progression with compound interest superadded, they would require little more than twenty years in order to accumulate into a sinking fund of equal amount with the loan from which they had been originally derived. When this was done all danger of insolvency would be absolutely eliminated. What had begun as a Credit Bank would have been converted into an institution whose business would consist in making loans to its shareholders out of their own money, and which would possess consequently a stability that no imaginable defalcations on the part of individual customers could jeopardize; while at the same time the bank's constituent shareholders, in return for their temporary abstinence and self-denial in allowing the bank's capital to attain full development, would be abundantly rewarded by the regular and largely enhanced dividends on which they might thenceforward reckon with absolute certainty.

It is needless to insist on the value of a system which in an incredibly short space of time has spread its ramifications over the whole face of Germany, and which is already placing at the command of labor 20 millions sterling worth of material aids to self-employment. Such rapid progress, and such visibly beneficent efficacy, are its best and sufficing eulogists. It is important, however, to note distinctly both in what the utility of the system consists, and what local peculiarities of circumstances have favored its development. In Germany the industrial ascendancy of large over small capitals is much less decided than in this country. Factory labor has not there, nearly to the same extent as here, supplanted domestic labor. In every department of production, Germany still retains a considerable number of independent workmen doing business on their own account. These are the chief constituents and chief customers of the Credit Banks, and almost the sole customers also of what in Germany are called "raw material associations," the object of which, as may be inferred from their name, is to purchase materials in large quantities for distribution at low prices among small producers. From each of these classes of institutions they derive assistance of the kind which they most need, the former permitting a poor artisan or handicraftsman to borrow, on nearly as good terms as the largest manufacturer, as much money as he can be safely trusted with for the purpose of his calling, the latter offering to him equal facilities with his richest rivals for providing himself with industrial necessities in the cheapest market. The benefit hence accruing would be very great if it consisted simply in enabling small masters and master workmen somewhat to prolong the contest in which they are engaged with large employers, and gradually to prepare for succumbing eventually to their antagonists instead of being crushed suddenly; but the benefit will be incalculably greater if they avail themselves of the respite allowed to them individually to combine together in genuinely co-operative societies, and so to qualify themselves for maintaining the contest indefinitely, and retaining their industrial independence permanently. Now it is in the opportunities which it affords for doing this that the great merit of M. Schulze's system seems to me to consist. In Germany, as elsewhere, the ultimate doom of small production is, perhaps, irrevocably sealed. There no more than elsewhere will it be possible for industry on a small scale to make a permanent stand, at least in the majority of manufacturing operations, against the advantages which the possession of superior machinery, more minute division of labor, and more economy of superintendence give to the large capitalist. Opposed by such odds, it must needs be overpowered at last, and, unless it enlarge its own dimensions, the utmost that M. Schulze's or any other system can do for it is to break, by postponing, its inevitable fall. But with the help of M. Schulze's system, it may have both time and means for enlarging itself—for growing by aggregation from small to large production, and, what is more essential than all else, into larger production

invigorated by the exceptional energy which belongs to co-operation; for, though the immediate object of Credit Banks be to assist the shareholders in separately maintaining their industrial positions, it affords them at the same time much of the particular education required to fit them for industrial association. By being brought together for a common purpose, the shareholders acquire something of the fellow-feeling and public spirit which fellowship for worthy ends seldom fails to engender. From the profits of their banking ventures they obtain, both in their collective and individual capacities, the funds indispensable for their engaging in further collective enterprise. The share they are called upon to take in administration elicits their administrative talents. Referring to this last point, Mr. Morier describes the German credit societies as "small democratic republics, in which the entirety of the citizens not merely control the management of their affairs, but themselves manage them, business knowledge and business habits becoming thus generally diffused, and a body of business men being trained up within the association," ready either to take the places of vacating managers, or to occupy corresponding places in any class of industrial association.

Of the perfect suitableness of arrangements like these to the industrial circumstances of Germany there can be little question, but it by no means follows that they would be equally well adapted to the very different circumstances of the British Islands. Very few of our workmen are independent in the sense of being their own employers, and the few that are would not greatly improve their industrial prospects by borrowing, if they should be able so to borrow, on their collective credit, for the purpose of extending their respective undertakings. The number of large employers, and also the disparity between their resources and those of independent workmen, are already too great, and are too rapidly increasing to leave to the latter any chance in direct competition with them. What enables small masters and petty dealers temporarily to hold their ground amongst us is the share they retain of the custom of the comparatively poor, and even this custom is being continually encroached upon by the operations of large traders. The ascendancy of large capitalists, besides being firmly fixed, is too far advanced not to go on advancing. If small capitalists would not be overborne, the only resource open to them is one already frequently adverted to. They must make their capitals great by association, and reinforce association by co-operation. But even then, and however many co-operative societies had sprung up in consequence, there would be still little more place in this country than before for Credit Banks analogous to those of Germany. Such of the co-operative societies as had thriven would not require the aid of the banks, and to such as were still in their infancy it could not be prudently given; neither could the latter, which alone would have any motive for establishing Credit Banks, be able to provide the requisite means. Requiring all and more than all the money of their own which they could scrape

together for the prosecution of their own proper business, they would have none to spare for investment in banking business. There would therefore be no paid-up shares to serve as securities for loans, neither would a cautious capitalist be likely to regard the collective credit of many penniless societies, all equally eager to borrow, as much better security than that of any one of them separately. Nor again, even if this preliminary difficulty were got over, and a bank were actually established, could there be much doubt as to its fate, which indeed has been recently foreshadowed by the sudden decease, after a brilliant but brief career, of the "Credit au Travail" of Paris. No very different end could well be in store for a bank, without other customers than industrial associations that could not become customers without violating one of the most vital of their constitutional principles.

---

#### ALBERT GALLATIN ON THE SILVER COINAGE.

In the time of Albert Gallatin a discussion arose about the relative fluctuations of gold and silver, somewhat resembling, in many of its features, that which has been excited by the recent heavy purchases of silver for the Treasury under the Resumption Law of January, 1875. The question was, whether in view of the fall in the value of silver the two precious metals, gold and silver, should each be the standard of value, or whether gold should be the sole standard, while silver should be used for token-coinage, which should not be a legal tender except for a small fixed sum. The latter principle has been adopted by more recent legislation in this country and in England. In France the double standard, with some modification, is still established by law. That is, gold and silver coin are prescribed by law as a legal tender. M. Wolowski, and other eminent financial statesmen, have labored earnestly for a change in the law so as to make gold coin the only legal tender money, while silver coin was recommended to be adopted as supplementary token-coinage for use as small change.

When France resumes specie payments some new regulation will have to be made; for at present the price of silver is so unstable, in consequence of the excess of the supply in the market, that silver coin is wholly unfit to serve the purposes of standard money. On this account many thoughtful men regret very much that the United States Treasury is spending so large a portion of its scanty cash balance in the purchase of silver. They argue that when the greenback currency rises to par with gold, our present fractional currency can be made to answer the purpose of small change better than silver, while it will cost the country less by 40 millions of dollars. The following is Mr. Gallatin's argument on the dispute as it existed in his day. He states the principles which underlie

the discussion about silver depreciation so clearly and with such lucid illustrations, that his argument may be adapted with little modification to the solution of the present difficulty. It will be seen that Mr. Gallatin was inclined to favor the silver coinage. But this was before the weight of the silver dollar was reduced, in 1853, from the old standard of 371.25 grains of pure silver:

"There are four contingencies which may cause a fluctuation in the relative price of gold and silver, as *either* may *either* rise or fall, as compared to the value of all other commodities. Supposing a country where silver is made the only legal tender, it is clear that in two of those contingencies, namely, if the price of gold should rise, or if that of silver should fall, every payment would have still been made in silver if both metals had been a legal tender, and the option given to the debtors to pay with either. As the probability of those several contingencies is perfectly equal, it follows that in one-half of the fluctuations which may take place in the relative price of the two metals, it is perfectly immaterial whether one or both are made a legal tender. With respect to the two other contingencies, if the price of silver should rise, that of gold remaining the same as compared to all other commodities, the debtors in the country where both metals were a legal tender would pay in gold, and therefore in perfect conformity with the original contract; whilst in the country where silver alone was a legal tender, they would be obliged to pay in that metal, that is to say, to pay a greater value than according to the original contract; and, on the other hand, if the price of gold should fall, that of silver as compared to all other commodities remaining the same, the debtors would, in the country which admitted only silver as legal tender, be obliged to pay in that metal in conformity with the contract; while in the country where both metals were a legal tender, the debtors would pay in gold, that is to say, a sum less than according to the contract. Whatever may be the amount of fluctuation, the stability of the standard of value is not, by adopting only one metal as such, improved to a greater extent than has now been stated. But the fact is that the fluctuations in the relative price of gold and silver coins are so small in a country where the mint is open to all individuals and under proper regulations, that, when compared with the variations to which coins issuing from the same mint are liable, they may be altogether disregarded.

"It has been sometimes erroneously supposed that governments might alter by their own regulations the actual relative value of the two precious metals. This might be done to a considerable extent, if these had no intrinsic value; that is to say, if they could be obtained without capital or labor, or if, whatever the cost of production might be, they were of no utility whatever except for currency. In the first case, governments might attach any value they pleased to either metal, in the same manner as is now done with paper money. In the latter case, there being no other demand except that of governments, the price of either metal might

be reduced so low as to compel an abandonment of all the poorer, but not lower than the cost of production at the most fertile mines. But the intrinsic value of the precious metals, combined with the general demand for them, determines their market price. Governments are among the principal, but not the only consumers. If the demand for either gold or silver for the purpose of currency were to cease altogether, it would have an effect on the market price of the metal excluded; but a government which uses both as currency cannot affect their permanent relative values. It may, however, to a certain extent prevent great fluctuations by coining at all times for all individuals who may bring in bullion, allowing always the same regular price, and paying for it without delay, and without any other charge than the actual cost of coining.

"It has already been stated that the relative mint price of gold and silver bullion in France (about 15.7:1) is very near the average market price of those two metals. And by giving always the same regular price for each, Government has, to a certain degree, prevented any great fall in the price of either. It is only during short and extraordinary periods that the fluctuations have been so great as that the gold coins did either fall to the par of silver coins, or rise to a premium of one per cent. During by far the greater part of the period of forty-five years, which has elapsed since that regulation took place, this premium has fluctuated from one-fifth to one-half per cent.; so that the variations in the relative price of the two metals have, with the few exceptions above mentioned, been less than one-third per cent. And even these would have been less had not, as has already been stated, the silver coins been overrated by charging about one-half per cent. too much on their coinage.

"It is believed that there is no mint which issues more faithful and perfect coins than that of the United States.\* The extreme variation from standard fineness, as determined by the annual assay, does not exceed one-fifth per cent. on the silver coins; on the gold coins it is too small to be appreciated. On a large sum as delivered from the mint, the weight, if not precisely accurate, would almost uniformly be found to fail in excess. But trivial deviations in weight on single pieces are unavoidable; they rarely exceed one-third per cent. on the heaviest silver, and are less than one-sixth per cent. on the gold coins. If to those unavoidable deviations be added the loss which coins experience by friction, it will be found that they exceed in value the fluctuations in the relative market price of the gold and silver coins issued under proper mint regulations, and therefore that these are a quantity which may be neglected, and which, in fact, is never taken into consideration at the time of making the contract."

\* In 1816 England abandoned the double standard and made gold coin a legal tender for all debts, the subsidiary silver coin being a legal tender for 40 shillings, or \$10. In 1853 the same principle was adopted in the United States, the fractional coinage of silver being a legal tender for sums under \$5. In 1873 the silver dollar was also demonetized along with the fractional coin, and the coinage of the silver trade dollar was authorized. France, Switzerland, Italy and Belgium partly adopted the subsidiary principle in 1853 for coins lower than 5 francs, which were made a legal tender for sums not exceeding 50 francs.

## INTERNAL EXCHANGE.

*To the Editor of the Banker's Magazine :*

It was once said by one of our prominent public men that the American people are too conceited to learn anything from foreign sources, but continue to try all manner of financial experiments which England and France had long ago proved to lead to no valuable results. The conditions of government and of society vary greatly in different nations ; and this diversity is, to a certain extent, a valid excuse for an unwillingness to adopt foreign methods ; but there are general laws which govern the action of all men alike, provided the average standard of intelligence and morality is the same. If it be conceded that we are not behind the French in these particulars, there appears no reasonable objection to the scheme I wish to propose in regard to Domestic Exchange, prompted by the article on French financial matters in the June number of the *BANKER'S MAGAZINE*. An experience of some years in the Assistant Treasury and the banking circles of New Orleans had led me to believe that some such plan as the French could be adopted in this country, even before I knew that such a plan was in actual use in any other nation.

The Government disbursements at this point are at all times largely in excess of the receipts, since almost all the payments for this large military department are made through the Assistant Treasury here. In consequence, the Home Department is constantly shipping large amounts of currency to the Assistant Treasury in this city, upon which it pays in the aggregate a very respectable sum to the Express Companies, notwithstanding the comparatively low rates secured by its special contract. During the winter months this expense is unavoidable, but in summer it can be easily obviated without risk to the Government, and at the same time with a great saving to the mercantile community. Throughout our entire summer, Exchange on New York and other northern cities retails at 3-8 per cent premium, and can seldom be bought in round sums at less than 5-16. The Express Companies carry currency at 3-10 per cent. in large lots for the banks, and millions of dollars are thus shipped every summer from this point alone. The consequence of this state of affairs is, that large sums of money are constantly passing each other in the chests of the Express Companies ; the Government paying the charges on the funds bound South, while the banks are mulcted \$30 for every \$10,000 that goes North. It will be readily understood that the banks do not lose this sum, for they recover it by keeping up the price of their drafts. The merchants who are remitting for their goods sustain the loss.



By a proper system of checks, the Assistant Treasurers at this and other points, where a high rate of Exchange prevails during a portion of the year, would be enabled to replenish their exhausted coffers, and at the same time benefit the merchants of their respective localities. The Government would be relieved from the expense of transporting the currency, and by charging a small commission, say 1-10, would be reimbursed for any slight risk or extra clerical labor involved. The community would gain 2-10 of one per cent. on all the funds thus transferred, and no one could possibly be injured except the Express Companies, with whom, however, few persons would have enough sympathy to cause any vast amount of grief at such a loss, brought on partially by their own greed.

The objection that such a course is contrary to the usual policy of the Government, even if valid, would not be true, for such a system of Exchange was in operation at the time the writer was gold clerk at the Treasury in this city, the only differences being that the drafts were payable in gold, and were drawn from New York on this city. These drafts were sold in New York to parties remitting gold for cotton purchases to the extent of several million dollars a year, and commanded in that city a quarter of one per cent. premium. At the same time, the Collector at Galveston was shipping us his gold by steamer, at an enormous charge. It was only by the most strenuous exertions that the Assistant Treasurer could induce the Secretary of the Treasury to allow drafts on Galveston to be negotiated here, although the Treasury thus saved the heavy charges, and gained the premium of  $\frac{1}{4}$  that the drafts realized here. It was finally done, however, making the second instance within my knowledge of the drawing of Bills of Exchange by the Government. These two instances are sufficient to establish the precedent, and it is only an extension of this course of action that I would now recommend.

It is only reasonable that the Government should adopt the same method of transacting its affairs that business men have long proved to be the safest, most speedy, and most economical. But it seems very difficult to induce the Treasury officials to change the old modes of doing business. Some improvement has doubtless been made since the times when shipments of Government gold used to pass each other in expensive mule-trains on the Allegheny Mountains. The Secretary's transfer account saves a great deal of expense and trouble at present. It is used generally for small amounts, but there is no more risk in moving large sums in the same way, while the saving is in every way much greater. To this community the saving of even a small percentage on the amounts annually remitted for payments of debts due the North, would be a welcome help in the midst of the burdens under which this unfortunate State is laboring. The Government could realize the whole of whatever premium the drafts would command, or else it could stipulate for a certain percentage and allow anything over that to accrue to the Assistant Treasurer drawing the

draft. To guard against the temptation to draw *ad libitum*, it might be necessary to fix the total amount of cash that he should hold at any one time, and to allow him to draw only when the drain upon his vaults had reduced his balance below that figure. These details could be very easily arranged if the General Government should ever evince such a degree of faith in its officials, and of desire to benefit the public, as would cause it to adopt some plan such as I have endeavored to set forth.

SEYMOUR WALTON.

## SALE OF THE NORTHERN PACIFIC RAILROAD.

The Northern Pacific Railroad was sold at public auction on the 12th of August, under decree of the United States Circuit Court. The sale took place on the steps of the Custom-House in this city. The purchaser was Johnston Livingston, Chairman of the Purchasing Committee of the bondholders, and the amount bid was the nominal sum of \$100,000, which was the only bid, there being no competition. The sale included the road with all the Company's franchises and property, except the lands which have been patented and certified, and which will be sold on 60 days' notice hereafter. Everything was bid in as an entirety for the Purchasing Committee, which consists, besides Mr. Livingston, of Messrs. Billings, Stark, Moorhead, Hutchinson, and Denison. The \$100,000 bid was paid in cash by the Purchasing Committee, who will be reimbursed by the new management of the road. This sum was fixed in the decree of the Court ordering the sale, in order to pay the legal expenses of settling the affairs of the Company.

The plan of re-organization which will now be carried out was arranged last June, and is known as the "Livingston plan." It provides, first, for the appointment of the Purchasing Committee, which is to assume the management of the road pending the election of a new Board of Directors. No assessment whatever is to be levied upon the bondholders; but all costs of purchase, expenses of foreclosure, etc., must be paid out of the assets and income of the Company. The length of time within which bondholders may join and participate in the benefits of the purchase of the property, is left to the discretion of the Purchasing Committee. The object of the new organization is to convert the 7.30 bonds (which are those of the mortgage just foreclosed) into preferred stock, by adding the interest to the principal of the bonds at eight per cent. per annum from July 1, 1873, the date of the last payment of interest, to and including July 1, 1878. This will give the stockholder \$1,400 of preferred stock, for every \$1,000 bond that he holds. The stock is to be entitled to dividends up to 8 per cent. as it is earned after July 1, 1878. The preferred stock is to be convertible at par into any lands owned or to be owned by the Company east of the Missouri River in Minnesota or Dakota. These lands now amount to nearly 8,000,000 acres. The proceeds of their sales are to be applied to the purchase of preferred stock. The common stock is not to be entitled to dividends until 8 per cent. per annum is paid on preferred stock, and it can have no voting power until after July 1, 1878. For the construction and equipment of the road the issue of first mortgage bonds, not to exceed an average of \$25,000 per mile of road actually completed and duly accepted, is provided for. These bonds are to be a first and paramount lien on the whole road, including its equipment, lands, and franchises, but subject to the rights of the preferred stock, until any default is made in the provisions of the mortgage.

They claim that under the new plan of organization, covered by so small a mortgage, they can not fail to attain success by developing the resources of Montana and Nevada, and opening up the trade of the Northwest. Bondholders representing over \$24,000,000 of the \$30,000,000 of bonds of the road, have already assented to the adoption of this plan. The managers of the road express very hopeful views of its future.

## THE SAVINGS BANKS OF CALIFORNIA.

As indicators of the financial condition of the "bone and sinew" of a community, and of those habits of thrift and industry which lie at the very foundation of National prosperity, the statements of the savings banks are always watched by those who study the financial movements of the day.

For the reports of the California savings banks, presented herewith, we are indebted as usual to the enterprise of the *Commercial Herald* of San Francisco, by whom they are collected semi-annually from the respective institutions. These reports are of the more interest and value inasmuch as they represent the prosperity of a State whose monetary transactions have always been on the solid basis of gold and silver. No stronger arguments against the fallacies of paper-money inflationists need be adduced than those contained in these facts and figures.

Since the reports of January, 1875, the following changes in the several items have occurred: In San Francisco, the number of depositors has increased 7,337, and the aggregate of deposits \$4,112,732. This increase is so far disproportionate that it reduces the average deposit for each individual from \$907 to \$870 in gold, but, as showing a large addition to the population of the city, it is a highly satisfactory record. The aggregate of the cash on hand is the same as that in January, showing active employment of the funds. The reserve fund has been augmented some \$500,000, the gross earnings increased \$300,000, and the loans \$4,777,514. The expenses remain at about the same figures as on the 1st of January last.

The statements of the interior savings banks show a decrease in the amount of deposits of \$567,232, while the average balance of each individual has diminished from \$593.50 to \$561.25. At the same time the loans have increased \$309,980, all of which indicate a greater demand for the requirements of trade and business. It is noteworthy that several of the institutions have made a division of their business, by separating the savings and the commercial departments. The Union Savings Bank of Oakland has incorporated its commercial department into the Union National Gold Bank.

The aggregate of the deposits would have been still larger, but for the mania for investing in Mining Stocks which occurred last winter in California, and which was at its height in the beginning of January last. This excitement caused the withdrawal of a large amount of savings bank deposits, the greater part of which were utterly lost to their owners.

A comparison of the returns of these banks, for several previous years, will be found in the *BANKER'S MAGAZINE* for September, 1874.

## SEMI-ANNUAL STATEMENT OF THE SAVINGS INSTITUTIONS OF CALIFORNIA, JULY 1ST, 1875.

SAN FRANCISCO.		Origina- lized.	Open Accounts.	Deposits.	Loans.	Gross Earnings.	Reserve Fund.	Expenses & F. Tax.	Dividend, on hand.	Cash Term.
Savings and Loan Society.....	1857	10,854	\$12,736.166	\$12,888.444	\$658.583	\$42,333	\$37,833	\$542,333	\$126,787	9.
Hibernia Savings and Loan Society.....	1859	17,930	13,714.145	14,315.626	630.489	543,935	39,040	543,935	218,486	8.
French Savings and Loan Society.....	1860	7,000	5,964.368	6,168.715	289,438	196,957	21,504	255,446	546,522	8.40
San Francisco Savings Union.....	1862	6,548	6,918.790	6,860.916	345.669	236,781	32,155	313,513	117,102	9.
Odd Fellows' Savings Bank.....	1866	8,072	7,847.168	8,034.424	39,424	147,887	31,833	304,686	128,771	9.10
Farmers and Mechanics' Savings Bank.....	1867	606	605.012	616.135	39,264	60,000	7,155	24,117	72,362	10.
German Savings and Loan Society.....	1868	6,873	5,871.326	6,100.074	273.525	140,500	23,105	238,688	65,221	9.
Pioneer Bank of Savings and Deposit.....	1869	2,885	1,021.491	1,108.604	93,682	177,305	7,839	57,504	35,427	12.
Masonic Savings and Loan Bank.....	1869	3,655	1,588.714	1,448.744	79,595	100,900	12,965	66,900	114,706	9.25
Humboldt Savings and Loan Society.....	1869	1,735	931.731	930.316	44,041	90,131	7,288	32,915	12,374	9.
Security Savings Bank.....	1871	1,014	1,544.477	1,652.418	79,659	165,009	10,232	64,946	48,276	9.
California Savings and Loan Society.....	1873	772	302.703	359.435	21,036	300,000	3,866	16,780	14,136	9.60
Western Savings and Trust Company.....	1875	553	107,808	352,772	24,432	280,464	5,131	16,151	21,043	10.
Totals—July, 1875.....		67,997	\$59,133,909	\$60,886,503	\$2,911,849	\$3,209,434	\$239,569	\$2,457,974	\$1,501,193	.....
Totals—January, 1875.....		60,660	55,021,177	56,112,999	2,557,151	2,632,932	222,485	2,232,567	1,599,211	.....
INTERIOR.										
Sacramento Savings Bank.....	1867	6,060	\$3,166,913	\$3,254,600	\$174,382	\$103,442	\$14,358	\$147,391	\$153,650	9.60
San José Savings Bank.....	1868	2,026	1,165,533	1,305,139	80,665	312,239	10,182	66,770	79,020	10.
Stockton Savings and Loan Society.....	1867	1,571	1,067,958	1,320,132	92,384	402,417	8,786	48,625	114,822	9.
Marysville Savings Bank.....	1869	1,259	1,091,302	1,053,585	69,356	19,865	10,517	61,402	34,345	12.
Union Savings Bank, Oakland.....	1869	1,800	1,025,701	1,251,868	94,236	506,610	12,527	68,852	57,996	9.50
Oakland Bank of Savings.....	1867	1,612	1,062,377	1,434,479	82,341	387,769	14,222	51,826	66,820	9.50
Capital Savings Bank, Sacramento.....	1869	6,023	3,358,444	3,519,374	106,428	661,707	26,322	155,544	206,176	9.
Odd Fellows' Savings and Com. Bank Sec.....	1870	1,500	806,533	898,730	46,371	115,015	5,176	36,139	31,666	9.
Vallejo Savings and Com. Bank (Jan. 1. 75).....	1870	500	209,623	397,462	61,232	210,900	8,587	38,106	8,601	12.
Napa Valley Savings and Loan S., Napa.....	1871	392	333,969	322,144	6,124	733	13,934	11,826	.....	10.
Dime Savings Bank, Sacramento.....	1873	1,193	56,795	43,540	4,824	16,570	1,486	1,816	11,368	10.
Los Angeles County Bank.....	1874	.....	90,346	365,495	30,948	284,275	8,553	18,799	18,525	10.
Totals—July, 1875.....		23,936	\$13,435,194	\$15,166,548	\$933,167	\$3,026,933	\$117,143	\$799,264	\$794,845	.....
Totals—January, 1875.....		23,594	14,002,426	14,856,568	888,214	2,579,028	107,075	671,800	1,345,995	.....

## SAFE DEPOSITS AND NATIONAL BANKS.

*The First National Bank of Lyons, Respondent, vs. The Ocean National Bank.—New York Court of Appeals.*

A pressure of important matter has prevented the insertion, as announced, of the subjoined decision of the New York Court of Appeals in regard to the responsibility of National Banks as bailees of bonds or goods for safe-keeping. It is held that when the cashier or other executive officer of a National bank receives property for safe-keeping, the mere evidence of his so receiving it will not be sufficient to bind the bank and prove a contract of bailment. The opinion was delivered by Mr. Justice Allen, and is as follows:

ALLEN, J.—“The point was distinctly made at the close of the plaintiff's evidence, and renewed at the close of the trial, that there was no evidence that the corporation defendant had made any contract of bailment with the plaintiff, or assumed any obligation as bailee of the plaintiff's property, and that there was no evidence that the officers of the corporation had power or authority to make, in behalf of the corporation, any contract of bailment or assume any liability as the custodian and bailee of the securities of the plaintiff under the circumstances. This is entirely distinct from the very serious question back of it and to be met, if this position of the counsel for the defendant is not well taken, that the defendant had not power or authority to assume the duties of a naked bailee of property, whether gratuitously or for hire, and that the contract of bailment, if one was made by or in behalf of the corporation, was *ultra vires*, and imposed no obligation upon the corporation as such. Or, if the power to become the bailees or depositories of property for safe-keeping be conceded, a question may arise as to the contract implied and the extent of the obligation assumed by the mere receipt of and placing the property in the vaults of the bank in the absence of a special contract, in view of the special purposes for which the corporation was created and the limited powers expressly conferred.

“The bonds in question were the absolute property of the plaintiff. The defendant had no special property in them. It had no lien upon them, and they were not deposited or held as a security for or in connection with the business of the defendant as a banking corporation or its transactions with the plaintiff, either present or prospective. If a bailment to the defendant, it was a simple deposit without interest in or compensation to the depository. It was a naked bailment of property to be kept for the bailor without recompense, and to be returned when the bailor should require it. This is the legal definition of a deposit of this character. Story on Bailments, § 4.

“The relation of bailor and bailee imports a trust and a contract, express or implied, to deliver the property when the purposes of the trust shall be accomplished, and the contract is supported in the case of a naked bailment and simple deposit, by the yielding up of the present possession or custody by the bailor, upon the faith of the engagement of the bailee to re-deliver it. Story on Bailment, § 2, and note (4) and cases cited. The duties and obligations of the bailee cannot be thrust upon one against his consent, but must be voluntarily assumed by the party himself, or some authorized agent, as in every obligation founded upon contract, express or implied. A corporation can only act by agents, and it follows that it cannot be subjected to the responsibilities and liabilities of a bailee except by the acts and contracts of its agents, duly authorized, or by agents acting within the scope of their general powers and apparent authority under circumstances which would estop the corporation from denying that their real was not co-extensive with their apparent

authority, or that they were not authorized to exercise the powers usually delegated to like officers and agents in other corporations of the same character. There is an entire absence of evidence that it was the habit and practice of the defendant to receive special deposits and valuable property or securities for safe-keeping, or that they had done it for any other person or corporation, except in the case of O'Kell, a tenant, occupying a part of the same building, as its lessee. It would seem that he had been in the habit of depositing a small trunk used in his daily business in the vault of the defendant for safe-keeping over night. It was proved that the directors, or any of them had never sanctioned the receipt of special deposits of any kind for safe-keeping, or that they had any knowledge of the deposit of these securities, or of any other like deposit. If it be assumed that the circular issued by the officers of the defendant inviting the correspondence of other banks was known to or authorized by the directors, it presented no evidence of a consent to become a general bailee and depositary for their correspondence. A proffer to buy and sell securities comes far short of an undertaking to act as a depositary of them for an indefinite time, or for any time beyond that necessary to accomplish the precise agency assumed. It is one thing to act as an agent in the purchase and sale of property, and quite another and different thing to receive it on deposit, and assume the responsibilities of a bailee.

"The case is also barren of evidence that other banks were in the habit of receiving deposits of a like character and under like circumstances. There was no attempt to prove a general custom or usage upon the subject, even if that could have affected the liability of the defendant, or been given in evidence as tending to prove the authority of the bank officers in the premises.

"Both the plaintiff and the defendant are banking corporations incorporated pursuant to the Act of Congress, entitled 'An act to provide a National currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof,' approved June 3, 1864, known as the 'National Currency Act,' and the officers and agents of each must be assumed to be familiar with the powers of the other, and the general powers and duties of its officers. The governing body of National banks is the Board of Directors, authorized by section nine of the act, and such Board has the management and control of the affairs of the corporation, and may do and transact any and all business within the limits of the powers conferred by the act of Congress. To the extent of the powers given by the act, the directors may bind the corporation and the shareholders, who are the constituent body, and the shareholders are, by section 12, made personally responsible 'for all contracts, debts and engagements,' of the association to the extent of the amount of their stock therein, in addition to the amount invested in such shares. This responsibility is necessarily limited to such contracts, debts and engagements as may lawfully be made or incurred in the exercise of the corporate powers as limited and prescribed by the act of Congress. The managing officers of corporations formed under the act, those who transact the current business of the association, are appointed by the corporation, which has power to appoint them and define their duties. They are a president, vice-president and a cashier, and such other officers as may be found necessary; but by whatever name known, they only possess such powers as are delegated by the governing Board or the corporation, either in terms or by implication. *Act supra*, § 8.

"There is no evidence that the powers and duties of the managing officer of the defendant were specifically defined by an act or resolution of the corporation or the Board of Directors. It must be assumed, therefore, and the public and those dealing or having business transactions with the bank had the right to assume that they had and exercised the powers and performed the duties usually devolved upon and performed by persons occupying the same position in other banks, and such as they were in the habit of performing in the transaction of the current and ordinary business of the bank, and within this limit the corporation would be bound by their acts, in the absence of proof that their powers were limited or restricted, and that such restriction and limitation was known to the person dealing with them. *Story on Agency*, § 114, and cases cited in notes. Whatever may be the extraordinary or incidental powers of the corporation under its charter, power to bind the corporation can only be presumed to exist in its executive agents and officers

within the scope of its ordinary business and their ordinary duties. *Life & Fire Ins. Co. v. Mech. Fire Ins. Co.*, 7 W. R. 31; *Minor v. Mech. Bank of Alexandria*, 1 Pet. 46; *Hoyt v. Thompson*, 1 Seld. 320; *Leggett v. N. J. Mfg. Co.*, Saxt. Chy. Rep. 541.

"The powers of the corporation defendant are banking powers only, with such incidental powers as may be necessary to carry on the business of banking, with the privilege of buying and selling exchange, coin and bullion. This does not necessarily include the business of a safe-deposit company or business of receiving for safe-keeping and storing for hire, or without compensation, jewelry, and valuables, or property of any kind. If the power exists in the corporation as a part of its franchise, it is only as an incident of its principal business. The duties of the executive officer of a banking corporation, who is ordinarily the cashier, are very well understood; and while those of the president are not so well defined, he is but the executive agent of the Board of Directors to perform such duties as may be devolved upon him, and is not the corporation and cannot take the place of the governing Board and make contracts or incur liabilities outside of the ordinary business of the bank without special authority. The corporations formed under the Currency Act are banks of deposit as well as circulation. They are authorized to issue their notes for circulation, and to receive from others their money and circulate it. Money so received from others is termed a deposit, although it has none of the qualifications of a bailment. There is no trust or promise to re-deliver the same money. By the deposit the money becomes the property of the bank, and the relation of debtor and creditor is created between the depositor and the bank. *Commercial Bank of Albany v. Hughes*, 17 W. R. 94; *Marine Bank v. Fulton Bank*, 2 Wall. 252. This is the character of the deposits which by the Currency Act the defendant was expressly authorized to receive, and in receiving such a deposit the cashier would be acting within the scope of his authority, and the bank, by his act, would become a debtor to the depositor.

"The principal attributes of a bank are, the right to issue circulating notes, discount commercial paper and receive deposits of money. Per Spencer, J., 15 J. R. 390; *N. Y. Fireman's Ins. Co. v. Ely*, 2 Cow. 673, 710.

"The act of Congress under which the plaintiff and defendant became incorporated makes them banking corporations, and confers upon them banking powers, and all such incidental powers as shall be necessary to carry on the business of banking by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin and bullion; by loaning money on personal security; by obtaining, issuing and circulating notes, according to the provisions of the act. The statutory powers and franchises are entirely coincident with the attributes of banking corporations, as defined by the law merchant. The National banking associations are required by law to have on hand, at all times, lawful money to a prescribed amount as a reserve fund, and are permitted to 'keep one-half of the lawful money reserve in cash deposits' in the city of New York; but the bonds in controversy were not, and could not have been, deposited with or received by the defendant under this provision of law. Act, *supra*, §§ 31, 32.

"The deposit of these bonds cannot be distinguished from a deposit of jewelry, or plate, or other valuable property, and was a special transaction not within the ordinary course and business of banking, or necessarily incident to it. If authorized, it added greatly to the risk of loss to the shareholders without adding to their gains. It was a holding out of greater inducements to burglars and robbers from without, and might prove of greater temptation to dishonesty on the part of clerks and employees within the bank. As a business it could not have been undertaken at the risk and responsibility of the corporation by the executive officers, or without the special authority of the Board of Directors, and a single transaction was without the general scope of the powers and duties of the executive officers of the institution.

"*Giblin v. McMullen*, L. R. (P. C. Cas.) 327, was an appeal from the Supreme Court of Victoria. The defendant represented the Union Bank of Australia, and no question was made as to the authority of the manager of the bank to receive the special deposit, and it is expressly said that the railway debentures, which were stolen by the cashier, were placed in the defendant's

care by a customer in the ordinary course of their business as bankers. The case turned upon the liability of the bailee for a theft by the officers of the bank, and the Court, following *Foster v. Essex Bank*, 17 Mass. 479, held the defendant not liable.

"*Foster v. Essex Bank* was a special deposit of coin, and the bank was held to be the depositary rather than the cashier or other officers (although not held liable in the action), on the ground of a general recognition and authorization of the practice by the directors; and Parker, Ch. J., places the responsibility of the defendant solely on that ground, and applying the principles applicable to master and servant, and deducing the relation of bailor and bailee in that case, says: 'Not so if the servant secretly and without the knowledge, express or implied, of the master, he not having authorized or submitted to the practice, receives the goods for such purpose; for no man can be made the bailee of another's property without his consent; and there must be a contract, express or implied, to induce a liability. The knowledge and permission expressly found or legally to be presumed in this case establishes a contract between the parties.'

"*Scott v. National Bank of Chester*, 72 Penn. St. R. 471, followed the case last cited, in principle. A case very analogous to, if not in all respects like, this in principle was *Lloyd v. West Branch Bank*, 15 Penn. St. R. 162, and it was adjudged that the cashier had no authority to receive as a special deposit a sealed package of small notes issued by a corporation without authority of law, and that if so received without the permission of the directors or their knowledge of any usage or practice to receive such packages on deposit, the law would not imply a contract on the part of the corporation with the depositor for the safe-keeping of the package. Coulter, J., says, that it was never designed by the provisions of the statute that the bank should be converted into a kind of pawnbroker shop. The case turned upon the point, as expressed by the Court, that there was no evidence that the bank made any contract with Oliver (the depositor), express or implied.

"The whole tenor of authority is in favor of holding corporations for the acts of their officers, especially executive officers and general agents, within the general scope and apparent sphere of their duties, and not holding them for acts done without special authority in cases without such general scope and sphere of duty. The cases are all reconcilable and sustainable on this principle and no other. Courts and judges have spoken cautiously on the subject, but the language has been uniform, limiting the responsibility of corporations for the acts of their officers and agents in the absence of an express authority to do the particular act, to those performed in the discharge of their ordinary duties in the usual course of business, and within the sphere and scope of such duties. Such are presumed to be by authority and within the knowledge of the directors, and within the rule are included such acts as are shown to have been performed with the knowledge and implied consent of the directors, although out of the line of ordinary duty and usual course of business.

"The duties of the cashier are well understood, and, as recognized judicially, are restricted to the care and management of the property and fiscal concerns of the bank, and the conduct of its business as a bank in the usual and ordinary way. Story on Agency, §§ 114, 115; *Badger v. Bank of Cumberland*, 26 Me. 428; *Merchants Bank v. State Bank*, 10 Wall. 604; *Bank of Genesee v. Patchen Bank*, 3 Ker. 309. The president and cashier of a bank cannot assign the choses in action of the corporation to its creditors as a security for the payment of a precedent debt without authority from the Board of Directors. They can do no act outside of their ordinary duties in the conduct and management of the banking business, unless by authority, either express or implied from the fact that they have been permitted to do the like acts without objection. *Hoyt v. Thompson*, 1 Seld. 320. Judge Wayne, in *United States v. City Bank of Columbus*, 21 How. 356, says: 'The Court defines the cashier of the bank to be an executive officer by whom its debts are received and paid, and its securities taken and transferred, and that his acts, to be binding upon a bank, must be done in the ordinary course of his duties. His ordinary duties are to keep all the funds of the bank, its notes, bills, and other choses in action, to be used from time to time for the ordinary and extraordinary exigencies of the bank. He usually receives, directly or through the subordinate officers of the bank, all the moneys and notes of the bank; delivers up all discounted notes



and other securities when they have been paid; draws checks to withdraw the funds of the bank when they have been deposited, and, as the executive officer of the bank, transacts most of its business.' After this summary of the duties and powers of the cashier, the same Judge says that he may not make any contract involving the payment of money not loaned in the usual or customary way, or purchase or sell property, or create an agency of any kind for the bank, unless expressly authorized by those to whom has been confided the power to manage the business of the bank, both ordinary and extraordinary. Judge Story limits the authority of bank officers to bind the corporation to acts and contracts within the ordinary sphere of their duties and the scope of the ordinary business. *Minor v. Mech. Bank of Alexandria*, 1 Peters, 46, 70; *Fleekner v. Bank of United States*, 8 Wheat. 338; see, also, *Fulton Bank v. New York & Sharon Canal Co.*, 4 Paige, 127.

"The doctrine of estoppel may give effect to the acts of the officers of a corporation as against the corporation as in other cases of principal and agent. *Farmers and Mechanics' Bank v. Butchers and Drovers' Bank*, 16 N. Y. 125. But there is no question of estoppel in this case. A class of cases was cited by the learned counsel for the plaintiff, which do not very directly bear upon the question under consideration. They are those in which a statutory power has been conferred, and has been executed apparently within the terms, and in the manner, and by the agent prescribed by statute, and a presumption has been allowed in favor of the validity of the execution of the power in favor of those who have, in good faith, acted upon the apparent compliance with the statute and the terms of the grant. The cases are circumstantially different, but all may be brought within one general principle, and they do not conflict with the views before advanced. *Commissioners of Knass Co. v. Aspinwall*, 21 How. 539; *Royal British Bank v. Tinguard*, 5 E. & B. 248; S. C., 6 id. 327; *Society for Savings v. City of New London*, 29 Conn. 174; *Commonwealth v. Pittsburgh*, 34 Penn. St. 496; *Farmers' Loan and Ins. Co. v. Curtis*, 3 Seld. 466, are among the cases cited by counsel, and illustrate the principles governing all. They do not touch the principle upon which this branch of the present appeal rests.

"No general principle was decided in *Van Lewen v. First National Bank of Kingston*, 54 N. Y. 671. By a divided court it was held that the contract in that case, under the peculiar circumstances, was the contract of the corporation, and not the individual contract of the president. The question now under consideration was not considered by the learned commissioners and does not appear to have been made in the action. It was very earnestly and ably urged upon the Court by the counsel for the plaintiff, that the corporation was liable as a wrong-doer or tort-feasor within the principle of *Philadelphia, W. & B. R. R. Co. v. Quigley*, 21 How. 202, and other cases which were cited, in which the doctrine was applied under different circumstances. The difficulty with this argument is, that there was no wrong by the corporation, and could be none if there was no contract. If there was no bailment to the corporation, it neglected no duty and was guilty of no negligence. The whole duty of a bailee rests upon contract, and if there was no contract there was no duty. Neither a corporation nor individual can be called upon to pay that which he or it does not owe, and neither is then responsible for want of care or for neglect in protecting property of which he or it has not assumed the custody, or any relation of duty or trust in respect to it.

"Having arrived at the conclusion, that if the power of the corporation to assume the position of bailee, with its responsibilities and obligations, be conceded, there was no evidence of the delegation of the power to the executive and ministerial officers of the bank, and that for that reason the judgment should be reversed and a new trial granted, it is unnecessary to consider the question back of it, as to the power of the corporation itself in that direction. It is a question not free from difficulty, but can be more satisfactorily considered when it becomes (if it shall) necessary to a judgment.

"The public are interested in restraining corporations to the enjoyment of the precise franchise granted, and the exercise of the powers expressly conferred, and the incidental powers essential to the express power. Shareholders are also interested in keeping their trustees, the governing Boards, within the limits of the delegated power with which they are clothed.

"It is axiomatic that a corporation can make no contracts and do no acts except such as are authorized by its charter, either expressly or as incidental to its existence. Corporations necessarily depend, both for their powers and the mode of exercising them, upon the construction of the statute which gives them life and being.

"Whether the receipt of goods and securities on deposit for safe-keeping is within the powers, express or implied, of National banks, will not be considered. The case has been considered as one of gratuitous bailment, as that was the theory upon which it was tried. If any other relation existed between the parties in respect of the goods than that of bailor and bailee without compensation, or any other obligation or liability rested upon the defendant other than that which would result from such relation, it must be developed on another trial.

"Since writing the above, the case of *Wiley v. First National Bank of Brattleboro*, recently decided by the Supreme Court of Vermont, has come to my notice. That learned Court held that the cashier of a National bank had no power to receive special deposits in behalf of the bank for the accommodation of the depositor, or to bind the bank to any liability, or any express contract accompanying, or any implied contract arising out of, such taking; and the judgment is sustained by a well-considered opinion of Judge Wheeler. In his views I fully concur.

"Several exceptions were taken at the trial to the admission and exclusion of evidence, some of which, we think, were well taken. The defendant was a gratuitous bailee—that is, a depositary without compensation, for the benefit of the bailor—and was, therefore, only liable for gross negligence, which is defined in various ways. The term itself has been quarreled with, but it still has a place in the law, and must have so long as the measure of liability implied by the term is recognized, and until some better term can be invented to give expression to it. It is incapable of precise definition, and its application and use may lead in some cases to results unsatisfactory, but that comes as directly from the nature and extent of the duty in the particular case as from the phrase by which a breach of the duty is expressed. I cannot but think that, in this case, the defendant was held to a higher standard of obligation than the circumstances warranted, but that question is not before us. What constitutes gross negligence—that is, such want of care as would charge a gratuitous bailee for loss—must depend very much upon the circumstances to which the term is to be applied. It has been defined to be the want of that ordinary diligence and care which a usually prudent man takes of his own property of the like description. *Giblin v. McMullen*, *supra*. This definition is given by a reference to the degree of care, rather than the degree of negligence, which may be the easier and more intelligible mode of defining the extent of the obligation and the measure of duty assumed. Ordinary care, as well as gross negligence—the one being in contrast with the other—must be graded by the nature and value of the property, and the risks to which it is exposed. A depositor of goods or securities for safe-keeping with a gratuitous bailee can only claim that diligence which a person of common sense, not a specialist or expert in a particular department, should exercise in such department. Wharton on Negligence, § 470. The bank, as depositary, taking no pay and taking no risks, was not bound to resort to any special or extraordinary measures to protect the property of the depositor, and the negligence for which it could be charged, or which was the proper subject of evidence upon the trial, was only that which was connected with and directly contributed to the loss. Independent acts of negligence disconnected with the loss were not properly admissible in evidence. *Scott v. National Bank of Chester Valley*, *supra*. The defendant was not chargeable with negligence or want of care for not acting upon facts or circumstances not coming to the knowledge of its directors or officers. Facts not brought home to them, tending to show that the property was exposed to loss from some unusual cause—to some peril growing out of peculiar circumstances—were not admissible in evidence against the defendant. The bailee was only called upon to take such care as became necessary to protect it against risks known to it, or of which it had notice.

"There was great latitude in the evidence on the part of the plaintiffs, and some of it was quite dramatic in its character, the purpose and end of which

was to show that the place of deposit was peculiarly and extraordinarily exposed to perils from robbers at the time, calling for more than the usual precautions from the bailee. This was competent, so far as facts and circumstances proved to exist were communicated to the officers of the bank, but no further. Without stopping to inquire whether all the evidence of this character was competent, or whether all the facts which, if known, might have alarmed the officers of the bank and stirred them up to greater diligence, were made known to them, I will refer to a single exception which is fatal to the recovery. The plaintiff was permitted to prove a conversation between one Holley and the president of the bank immediately after the robbery, in which the president of the bank, Mr. Martin, was made to say: 'For God's sake and mine, never make mention of any conversation that has ever passed between you and me in relation to the robbery of the bank.' Holley had testified to several prior conversations, in which he claimed to have made known to the president some attempts by burglars to enter the bank building and of indications of an intended robbery, and urged upon him the necessity of greater precautions. The admission of the evidence, which forped the subject of the exception, is sought to be justified as the act of the defendant, by its authorized agent, to suppress testimony, to conceal and cover up evidence. The statement or request, if made by Mr. Martin, was only material as an implied admission of culpable negligence on his part, that which would subject him to censure, and perhaps loss of place, and if this deposit was in his mind, possibly charge the bank with its value. That it was in the mind of Martin, or that he intended to suppress or foresaw the necessity of suppressing evidence in any action in a court of justice, there is not the least evidence. The request was made, doubtless, if made at all, to save himself and his acts from criticism and for no other purpose, and it was only important as an admission, by implication, of neglect in protecting the bank against the robbery. If made for the purpose suggested, it was not an act by the corporation. He did not in that conversation, although he may have supposed he was acting in the interest of the bank, represent it. He had no authority to speak or act for it, and it could not be affected by his acts and declarations made after the transaction, and when not acting within the limit of his authority, or in respect to a business over which he had authority to act for the bank. He had no incidental authority to make any declarations binding upon the bank in matters not within the scope of his ordinary duties. Story on Agency, § 115. An authority to speak and act for the corporation, in respect to litigations not pending or even anticipated, cannot be presumed. As a mere declaration or admission, tending to prove the fact in issue, it was not admissible, and should have been excluded. There is no principle upon which its admission can be sustained, and it should have been excluded. *Luby v. Hudson River R. R. Co.*, 17 N. Y. 131; *Hamilton v. N. Y. C. R. R. Co.*, 51 id. 100; *Anderson v. R. W. & O. R. R. Co.*, 54 id. 334; *Packet Boat Co. v. Clough*, MSS. opinion of Judge Strong, U. S. Supreme Court, October 7, 1874.

"The declarations of agents are only admissible when made as part of the *res gestæ*, or in the performance of the duties of their agency.

"The judgment must be reversed and a new trial granted."

These long disputed questions as to the responsibility for safe deposits may now be regarded as settled. The principles established in the foregoing decision of the highest Court in this State are not only in harmony with other judicial decisions and with the opinions of our business community generally, but they have been held by the Treasury Department ever since the Bank Act was passed. They were expounded by Mr. Comptroller Hulburt, in 1867, as follows:

"National banks are incorporated associations, doing business under a law of the United States, with certain specified and limited powers. Section 8 of the National Currency Act defines

these powers. A National bank may exercise any or all of these privileges, but nothing more. It may be claimed that a bank may receive packages of valuable securities, plate, or other things, for safe-keeping, under the power granted to receive 'deposits.' But the term 'deposits' has a definite, well ascertained meaning, as established by custom, and authenticated by judicial decisions, and is limited, in the sense in which it is used here, to deposits of money payable on demand. If it means any thing more than this, it may include any thing or every thing. If it would include silver-plate, it might include cotton or tobacco, which would be absurd. The practice to which you refer cannot, then, be sanctioned by this particular power granted.

"But can it be sanctioned by the authority conferred to 'exercise such incidental powers as shall be necessary to carry on the business of banking,' &c.? I think not. The custody of valuables may be a convenience to the directors, stockholders, and customers of a bank, but it is not in the slightest degree a necessary incident to the business of banking. But there is a direct limitation to the scope of these incidental powers, in the language immediately following the grant, incidental powers necessary to carry on the business of banking by *discounting promissory notes, &c.* Is the power to assume the custody and safe-keeping of miscellaneous valuables necessary to the discount of promissory notes, drafts, bills of exchange, &c.? Is it necessary in order to do any portion of a banking business? Evidently not. The practice, then, not being authorized by law, is prohibited. The enumeration of powers conferred includes the power to loan money on 'personal security.' Nothing is said about loaning money on real estate, nevertheless it is just as directly prohibited as though it had been done in so many words. The rule, then, is that a bank can exercise only such powers as are expressly granted, and that a power not granted is specifically prohibited. In this view of the case I have no hesitation in saying that, in my judgment, it is a direct transgression of the provisions of the National Currency Act for a National bank to assume the custody and safe keeping of miscellaneous valuables. It is dangerous to the bank, and in the nature of a fraud upon the stockholders. If the valuables are lost through the carelessness or dishonesty of a bank officer or clerk, the officers are undoubtedly liable; and if the practice has been sanctioned by the Board of Directors, they will be held liable, and as they are the agents of the stockholders in managing the affairs of the bank, I do not question but that the stockholders would in the end be required to make good the resulting loss."

To the same effect are also the opinions of the eminent counsel consulted by the National Banks of Baltimore in 1867, which will be found on record in the *BANKER'S MAGAZINE* for December, 1867, page 453. These opinions are unanimous that the receiving of special deposits is not only unauthorized by the National Currency Act of 1864, but is in direct violation of it; and that the banks cannot make the bank liable for such deposits.

## NATIONAL BANKS AS DEALERS IN BONDS.

## COURT OF APPEALS OF MARYLAND.

APRIL TERM, 1875.

*Susan Weckler vs. the First National Bank of Hagerstown.—Appeal from the Circuit Court for Washington County.*

The case was heard by BARTOL, Ch. J., STEWART, GRASON, ALVEY, MILLER, JJ., and the opinion of the Court, as follows, was by MILLER, J.

A question of importance and of first impression in this State arises on this appeal. The suit was instituted by the appellant against the appellee, a National Bank organized under the Act of Congress approved June 3, 1864, known as the "National Currency Act." The first and second counts of the declaration aver, in substance, that the defendant, as a part of its business as such banking association, was engaged in the sale of the bonds of the Northern Pacific Railroad Company, and in soliciting orders for the purchase of the same, and receiving commissions for such sales and orders; and by means of certain specified false, fraudulent and deceitful representations, made by its teller, the plaintiff was induced to and did purchase from the bank two of said bonds of \$500 each, and paid the bank therefor the sum of \$1,000, and was thereby damaged. The case was tried upon issue joined on the plea of not guilty. There was conflicting proof as to the making of the alleged false representations by the teller. The Court rejected all the prayers offered on both sides, and instructed the jury, in effect, that the National Banking Act, under which the defendant was organized, limits the action of the bank to the pursuit of the objects specified in the act of Congress, and that the purchase and sale of such bonds is not within the chartered powers of the defendant, and that the plaintiff cannot recover against the defendant in this action, although the jury may find from the evidence that the teller of the bank fraudulently induced the plaintiff to purchase the bonds in question by making the alleged false representations, and that she suffered loss thereby.

This presents broadly and clearly the question whether the bank had authority, under the act of Congress, to engage in the business of selling bonds of railroad companies on commission.

A bank, like other private corporations, is confined to the sphere of action limited by the terms and intention of its charter. The Supreme Court, in the case of the Bank of the United States *vs.* Dandridge, 12 Wheat. 68, states the rule by which the powers of the bank are to be determined thus: "Whatever may be the implied powers of aggregate corporations by the common law, and the modes by which those powers are to be carried into operation, corporations created by statute must depend, both for their powers and the mode of exercising them, upon the true construction of the statute itself; and in that case the Court adopts as entirely correct and applicable to the bank, the doctrine laid down by Chief Justice Marshall in 2 Cranch, 167, in reference to an Insurance company, viz.: "Without ascribing to this body, which, in its corporate capacity, is the mere creature of the act to which it owes its existence, all the qualities and disabilities annexed by the common law to ancient institutions of this sort, it may be correctly said to be precisely what the incorporating act has made it, to derive all its powers from that act, and to be capable of exercising its faculties only in the manner in which that act authorizes." And in this State the law is well settled that a corporation created for a specific purpose not only can make no contract forbidden by its charter, but in general can make no contract which is not necessary either

directly or indirectly to enable it to answer that purpose. In deciding, therefore, whether a corporation can make a particular contract, it must be considered, in the first place, whether its charter, or some statute binding upon it, forbids or permits it to make such a contract; and if its charter and valid statutory law are silent upon the subject, in the second place, whether the power to make such a contract may not be implied upon the part of the corporation as directly or incidentally necessary to enable it to fulfill the purpose of its existence; or whether the contract is entirely foreign to that purpose. A corporation has no other powers than such as are specifically granted, or such as are necessary for the purpose of carrying into effect the powers expressly granted. Penn'a, Del. & Md. Steam Navigation Company *vs.* Dandridge, 8 G. & J. 318, 319.

We must, therefore, determine the true construction of the act of Congress authorizing the formation of these Banking Associations, and whether the power to make contracts like the one in question is expressly conferred upon them, or is directly or indirectly necessary to enable them to fulfill the purpose of their creation, or is entirely foreign to that purpose.

So far as the purpose of the law is indicated by its title, it is "To provide a national currency, secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof." After describing in previous sections the mode by, and the conditions under which, banking associations may be formed, the 8th section declares that every association so formed shall become a body corporate from the date of its certificate of organization, but shall transact no business "except such as may be incidental to its organization until authorized by the Comptroller of the Currency to commence the business of banking." Power is then given it to adopt a corporate seal, to have succession by the name designated in its organization certificate, and in that name to make contracts and sue and be sued, to elect directors and other officers, "and exercise under this act all such incidental powers as shall be necessary to carry on the business of banking, by discounting and negotiating promissory notes, drafts, bills of exchange and other evidences of debt; by receiving deposits; by buying and selling exchange, coin and bullion; by loaning money on personal security, and by obtaining, issuing and circulating notes according to the provisions of this act."

This is the only portion of the statute to which, for the purposes of this case, it is necessary to refer. By it the associations are not simply incorporated as banks, and the scope of their corporate business left wholly to implication, but the kind of banking which they may conduct is limited and defined. As we read the language of this 8th section, it authorizes the associations to carry on banking "by discounting and negotiating promissory notes," etc., and to exercise "all such incidental powers" as shall be necessary to conduct that business. The mode in which the incidental powers may be exercised is not defined, but all incidental powers which they can exercise must be necessary or incidental to the business of banking thus limited and defined. To the usual attributes of banking, consisting of the right to issue notes for circulation, to discount commercial paper and to receive deposits, this law adds the special power to buy and sell exchange, coin and bullion; but we look in vain for any grant of power to engage in the business charged in this declaration. It is not embraced in the power to "discount and negotiate" promissory notes, drafts, bills of exchange and other evidences of debt. The ordinary meaning of the term "to discount" is to take interest in advance, and in banking is a mode of loaning money. It is the advance of money not due until some future period, less the interest which would be due thereon when payable. The power "to negotiate" a bill or note is the power to indorse and deliver it to another so that the right of action thereon shall pass to the indorsee or holder. No construction can be given to these terms, as used in this statute, so broad as to comprehend the authority to sell bonds for third parties on commission, or to engage in business of that character. The appropriate place for the grant of such a power would be in the clause conferring authority to "buy and sell," but we find that limited to specific things, among which bonds are not mentioned, and upon the maxim, *Expressio unius est exclusio alterius*, and in view of the rule of interpretation of corporate powers

before stated, the carrying on of such a business is prohibited to these associations. Nor can we perceive it is in anywise necessary to the purposes of their existence, or in any sense incidental to the business they are empowered to conduct, that they should become bond-brokers or be allowed to traffic in every species of obligations issued by the innumerable corporations, private and municipal, of the country. The more carefully they confine themselves to the legitimate business of banking, as defined in this law, the more effectually will they subserve the purposes of their creation. By a strict adherence to that they will best accommodate the commercial community, as well as protect their shareholders.

Such is our construction of this statute, and it is supported by the best considered authorities, and the decided preponderance of judicial opinion in other States.

This eighth section is almost identical in terms (and as respects the present question completely so) with the Banking Act of New York of 1838, ch. 260, and the Court of Appeals of that State in *Talmage vs. Pell*, 3 Selden, 328, held that banking associations, formed under that law, have authority only to carry on the business of banking in the manner and with the powers specified in the act, and have no power to purchase State stocks to sell at a profit or as a means of raising money except when received as security for a loan or taken in payment of a loan or debt. In speaking of the transaction under review in that case the Court says, the banking company "purchased these bonds as they might have purchased a cargo of cotton to send to market, to be sold at the risk of the vendor for the highest price that could be obtained. No authority to traffic in either commodity is expressly given by the law of 1838. It is, therefore, claimed as a power incident to the business of banking. But the 8th section of the act declares that this business shall be carried on by discounting bills, notes, and other evidences of debt, by loaning money on real and personal security, by buying and selling gold and silver bullion, foreign coin and bills of exchange, etc. The subjects pertaining to the business of banking are designated, and the express powers of the association are limited to them and to such incidental powers as may be necessary to transact the business thus defined by the Legislature." They then proceed to show that the claim to base the validity of the contract upon any incidental power is unfounded, and pronounce the transaction illegal, and the assignment by the company of the mortgages which they held, as collateral security for the purchase, void. So also in recent decisions of the Courts of last resort, in several of the States where this Act of Congress, and especially its 8th section, has been considered, we find it construed in entire accord with the view we have taken of it. We refer to *Fowler vs. Scully*, 72 Penn'a St. Reps. 456; *Shinkle vs. First National Bank of Ripley*, 22 Ohio, 516; *Wiley vs. First National Bank of Brattleboro'*, decided by the Supreme Court of Vermont at its February term, 1875, and *First National Bank of Lyon vs. Ocean National Bank*, decided by the Court of Appeals of New York, and reported in the Albany Law Journal of April 17, 1875. In the last mentioned case there is a very able opinion of the Court by ALLEN, J., in which he says he fully concurs in the views expressed by Judge WHEELER in the Vermont case, and in reference to the case of *Van Lenven vs. First National Bank of Kingston*, shortly reported (the opinion of the judges not being given) in 54 N. Y. Reps. 671, which has been pressed upon our attention by the appellant's counsel, he says it decided no general principle, but by a divided court it was determined that the contract in that case, under the circumstances, was the contract of the corporation, and not the individual contract of the President.

We are, therefore, clearly of opinion that this business of selling bonds on commission is not within the scope of the powers of the corporations, and the bank could not, under any circumstances, carry it on; and being thus beyond its corporate powers, the defense of *ultra vires* is open to the appellee, 8 G. & J., 348. It follows from this that the bank is not responsible for any false representations made by its teller to the appellant by which she was induced to purchase the bonds in question. Hence there was no error in the Court's instruction to the jury, nor in the rejection of the appellant's first and second prayers.

But by the third and fourth counts of the declaration, and the appellant's third and fourth prayers, it is sought to give another character to the transaction and to place the right to recover upon a different ground.

They present the case in this view, viz. : That there was no sale and *purchase* of the bonds; but, by the false representations of the teller, the appellant was induced to *receive* them, instead of money, in payment of the draft on New York, which she presented at the bank to be cashed or collected. It is argued that, in this aspect, the transaction amounts to the same thing as if the teller had cashed the draft by paying her over the counter in depreciated or worthless bank-notes, representing them to be good. But the answer to this position is, that there is no evidence in the record to support it. The proof shows that on the 6th of October, 1871, the appellant presented at the bank a draft on New York for \$1,047, and asked the teller if it was good, and if he would cash it. The teller gave her \$47 in money and a certificate of deposit for the balance, to the effect that she has "deposited in this bank \$1,000 payable to the order of herself on return of this certificate properly indorsed." This instrument is in the usual form of a certificate of deposit, bears date the 6th of October, 1871, and is signed by the teller for the cashier. There is a discrepancy in the testimony as to whether anything was said at that time about investing her money in Northern Pacific Bonds. According to her testimony, as stated in the record, it may be inferred the alleged false representations were then made, but whether before or after she received the certificate of deposit does not clearly appear; and, according to the testimony on the other side, nothing was said about these bonds until some ten or twelve days thereafter, when she returned and insisted upon investing her money. But it is immaterial when this occurred, because it is an undisputed fact that she received and accepted the certificate on that day, long before the bonds were delivered to her. The draft to the extent of \$1,000 was received by the bank as money, and as such it passed to her credit, and she became the creditor of the bank for that amount as an ordinary depositor. Whatever may have been said at or before this time, it is clear beyond dispute that by this transaction the draft was, as between herself and the bank, cashed or converted into money, which became hers in the coffers of the bank to use and dispose of as she saw fit. It is further shown by undisputed testimony that these bonds were ordered by the cashier from the Baltimore brokers, and received on the 19th of October, 1871, a few days after the order for them was sent; that they remained in the bank until some time in April following, when the appellant, either in person or through an agent, *returned* the certificate of deposit and got the bonds, paying the interest accrued at the time of the purchase out of the January coupons on the bonds which the teller then cashed for her; that she thereafter retained the bonds, collecting the interest upon them up to July 1, 1873, and that they were sold in the market at par and accrued interest up to the financial crisis in the fall of 1873. From these facts the law can regard the transaction in no other light than as a *purchase* of these bonds by the appellant through the teller or cashier, she paying therefor her own money deposited to her credit in the bank. It was entirely competent for the bank to receive the draft for collection, or to accept and receive it as a deposit of so much money; and there is no evidence in the case legally sufficient to authorize a jury to infer that the teller (acting as he would be in that respect in the discharge of his duty and within the scope of his employment) cashed the draft by passing off upon her these bonds instead of money in payment therefor. For these reasons there is no error in the rejection of the last two prayers of the appellant, and the judgment must be affirmed.

Having disposed of the case in this way, it becomes unnecessary to express any opinion upon the question argued at bar, whether an action like this will lie against a corporation in its corporate character for deceit practiced by its officers or agents.

Judgment affirmed.



## NATIONAL BANKS OF THE UNITED STATES.

June, 1875.

Abstract of reports made to the Comptroller of the Currency, showing the condition of the National banks of the UNITED STATES, at the close of business on June 30th, 1875,\* and also on June 26th, 1874, and June 13th, 1873.

LIABILITIES.	1875. June 30. 2,076 banks.	1874. June 26. 1,983 banks.	1873. June 13. 1,968 banks.
Capital stock paid in.....	\$ 501,568,563	\$ 491,003,711	\$ 490,109,801
Surplus fund.....	133,169,094	126,239,308	116,847,454
Undivided profits.....	52,160,104	58,331,966	55,306,154
National bank notes outstanding.	318,148,406	338,538,743	338,788,504
State bank notes outstanding....	786,844	1,011,351	1,222,470
Dividends unpaid .....	6,105,519	1,240,145	1,400,491
Individual deposits .....	686,478,630	622,863,154	641,121,775
U. S. deposits .....	6,714,328	7,323,831	8,691,001
Deposits of U. S. disburs'g officers	3,459,061	3,238,639	6,416,275
Due to National banks.....	138,914,828	143,033,822	137,856,085
Due to State banks and bankers.	55,714,055	50,227,426	40,741,788
Notes and bills re-discounted....	4,261,464	4,436,256	5,515,900
Bills payable.....	5,758,299	4,352,561	7,215,157

Aggregate Liabilities.. \$1,913,239,201 \$1,851,840,913 \$1,851,234,860

## RESOURCES.

Loans and discounts.....	\$ 968,509,871	\$ 922,000,135	\$ 925,557,682
Overdrafts .....	4,422,629	4,194,937	.....
U. S. bonds to secure circulation.	375,127,900	390,281,700	388,080,300
U. S. bonds to secure deposits...	14,150,200	14,890,200	15,935,000
U. S. bonds on hand.....	12,746,950	10,456,900	9,789,400
Other stocks, bonds, & mortgages	32,008,380	27,010,727	22,912,415
Redeeming and reserve agents...	89,788,903	97,871,517	97,143,326
Due from other National banks..	48,513,388	45,770,716	43,328,792
Due from State banks & bankers.	11,625,647	12,469,592	14,073,287
Real estate, furniture and fixtures	40,968,755	37,270,877	34,820,562
Current expenses .....	4,992,309	7,550,125	7,154,211
Premiums paid.....	8,742,393	8,563,262	7,890,962
Checks and other cash items.....	12,361,281	10,496,257	13,036,482
Exchanges for Clearing-House...	88,994,961	63,896,271	91,918,526
Bills of other National banks....	24,261,961	23,493,242	20,394,772
Bills of State banks.....	.....	34,749	.....
Fractional currency.....	2,620,504	2,283,899	2,197,559
Specie on hand.....	18,959,482	22,326,207	27,950,086
Legal-tender notes .....	87,492,895	103,108,350	106,381,491
U. S. certif. for legal-tender notes	47,350,000	47,780,000	22,365,000
Three per cent. certificates.....	.....	.....	305,000
Redemption fund.....	16,325,911	91,250	.....
Due from U. S. Treasurer other than 5 per cent. Red'n Fund..	3,274,873	.....	.....

Aggregate Resources .. \$1,913,239,201 \$1,851,840,913 \$1,851,234,860

\* The amount of circulation outstanding on the 30th of June, 1875, was \$351,869,008. This includes the notes in circulation of banks which have failed, are in liquidation, or have deposited legal-tender notes under the act of June 30th, 1874.

## BANKING AND FINANCIAL ITEMS.

**CALLS FOR FIVE-TWENTY BONDS.**—The twenty-third call for the redemption of 5.20 bonds of 1862, was issued on July 28th, for \$14,830,550 coupon bonds, and \$66,650 registered bonds, payable October 28th, 1875, numbers all inclusive:

<i>Coupon.</i>	<i>Registered.</i>
\$50—No. 23,501 to No. 25,088 ..	\$50—No. 2,126
\$100—No. 75,001 to No. 90,697 ..	\$100—No. 16,744 to No. 16,749
\$500—No. 38,201 to No. 44,248 ..	\$500—No. 9,155 to No. 9,158
\$1,000—No. 108,001 to No. 120,936 ..	\$1,000—No. 38,074 to No. 38,087
	\$5,000—No. 12,321 to No. 12,328
	\$10,000—No. 19,342

The above-mentioned numbers include all the bonds of February 25, 1862, not heretofore called in for redemption.

The twenty-fourth call was issued on August 13. It is for \$946,600 of 6 per cent. registered bonds of March 3, 1864; \$5,500,000 coupon and \$3,553,400 registered bonds of June 30, 1864. Total \$10,000,000, all numbers inclusive. Payable on and after November 13th, 1875.

**SIX PER CENT. REGISTERED BONDS OF MARCH 3, 1864.**

\$100—No. 1 to No. 3,700 ..	\$1,000—No. 1 to No. 253
\$500—No. 1 to No. 43 ..	\$6,000—No. 1 to No. 1,366

**ACT OF JUNE 30, 1864.**

<i>Coupon.</i>	<i>Registered.</i>
\$50—No. 1 to No. 750 ..	\$50—No. 1 to No. 330
\$100—No. 1 to No. 3,700 ..	\$100—No. 1 to No. 250
\$500—No. 1 to No. 4,300 ..	\$500—No. 1 to No. 250
\$1,000—No. 1 to No. 16,200 ..	\$1,000—No. 1 to No. 1,100
	\$5,000—No. 1 to No. 800
	\$10,000—No. 1 to No. 1,520

**THE COMPTROLLER OF THE CURRENCY**, in his next report to Congress, will call attention to the great amount of additional work thrown upon his office by the establishment of the new division in the Treasurer's office for the redemption of National Bank notes. He will ask for a considerable increase in the clerical force of his office.

**LOFTY BANK STRUCTURES IN NEW YORK.**—On the side streets, the same principle of building upward appears to have guided the various improvements. The staid old Bank of New York, at William and Wall streets, is now a six story building, where before only two stories were considered ample accommodation for all those transacting business within its walls. The Drexel Building, at Broad and Wall streets, with its high basement and seven stories, looms up gigantically on the spot where only a few years ago stood an unpretending three-story building—which was, however, sold for the highest price ever paid for real estate in New York—while the Stock Exchange, right across Broad street, is fully 85 feet high, and has taken the place of a number of brick stores 30 feet less in height. The beautiful white marble building at Nos. 50 and 52 Wall street is now 80 feet high, while it measured only 60 a few years back; while the Union Bank, at Pine and William streets, has had its height increased 20 feet. The Metropolitan Bank, on the corner of Pine street, is a building 80 feet high, and stands upon a lot previously occupied by a house of 50 feet.—*Tribune.*

**New Bank.**—The Commercial Bank, a new institution, organized under the State law, commenced business in July at No. 44 Pine street, with a capital of \$100,000, which is now increasing to \$200,000. The officers are: C. G. Rodgers, President; Gillison Maghee, Vice-President; George Woodman, Cashier.

**THE NEW NATIONAL BANK NOTES.**—The Secretary of the Treasury has decided to make no change in the engraving or printing of the new series of National Bank notes, except that the notes are to be printed on distinctive paper and marked, "Series of 1875," and will bear the signature of the present Treasurer of the United States.

**THE CALIFORNIA GOLD BANKS.**—To a statement of the condition of the gold note banks of California, the San Francisco *Bulletin* adds the remark that since the previous publication, the First National Bank of Oakland has commenced, thus making eight of these banks in active operation on the 30th of June, including two at San Francisco, one at Sacramento, one at Stockton, one at Santa Barbara, one at San José, one at Petaluma and one at Oakland. Another has since been established at the last named place, while another is talked of at San Francisco, and one at Santa Cruz. The second one at San José is held in abeyance, and the proposition for one at Tomales has been abandoned. It is only a little over eight years since the first savings bank was started on the Pacific coast outside of San Francisco. There are now thirteen of these institutions in active operation in the interior cities and towns of California, besides one at Portland, Oregon, and one at Virginia City, Nevada.

**CONNECTICUT.**—The Windham County National Bank, at Brooklyn, in closing its fifty-third year, and its tenth as a National bank, shows a very prosperous record. The dividends paid as a National bank have just equaled the capital stock, being an average of 10 per cent. per annum, and the undivided profits amount to \$26,000. No losses have occurred for want of payment of any loan during the past ten years; the only loss sustained being the damage done by burglars to the vault and safe in 1869. The stock is held by 122 shareholders, and the records show that it is held chiefly as an investment in families from generation to generation—actual sales being very rare.

**GEORGIA.**—In 1865 the taxable property in Georgia was \$126,635,870; now it is \$273,092,000, more than doubling since the war. There are 35 rail-ways in the State, with an aggregate length of 2,300 miles. The State debt is \$8,105,000, and this is partially offset by property owned by the State worth \$6,000,000, leaving the net indebtedness \$2,000,000. It has \$3,002,000 invested in cotton and woolen mills, \$735,100 in iron foundries, and \$600,000 in tonnage.

**THE BOSTON SUB-TREASURY VAULT** having been examined by the Treasury officers, they have decided that it will not be safe to deposit more than \$3,000,000 of subsidiary coin there, on account of the condition of the flooring. It had been the intention to store \$6,000,000 in this vault.

**BOSTON.**—The decline in the value of real estate, and the general depression of business, are illustrated by the report of the Assessors, recently completed, a summary of which shows the following: Valuation of real estate, \$558,769,500; gain over last year, \$456,935. Personal estate, valuation, \$234,098,400; loss, \$9,526,500. Total, \$783,767,900; loss, \$4,987,150. The number of Polls is 85,086; gain, 402. The State tax is \$802,120; city and county tax, \$9,721,016; total warrant, \$10,523,136; rate per \$1,000, \$13.70, against \$15.60 last year. There has been little or no increase of valuation of buildings already erected. Indeed, it is more probable that there has been on the whole a reduction. There has been a net loss in nearly all the wards of the city, which is only explained on the theory that the Assessors have really taken into consideration the serious decline in the market value of real estate. The returns of personal estate are accounted for by the serious depression in business and the decline in values, while business men have taken occasion to reduce stock to the lowest point, thus diminishing the taxable property without decreasing their own tax-paying power. A decline of less than four per cent. is a surprise, rather than that it is so slight than because there has been a decrease.

**IOWA.**—Mr. H. S. Weiser, for many years a banker in Decorah, died of apoplexy on July 29th. He was one of the early pioneers of Iowa, a careful and just banker, and much respected.

Mrs. H. S. Weiser succeeds her late husband as one of the proprietors of the Winneshiek County Bank, the firm now being Mrs. H. S. Weiser & Co.

**KENTUCKY.**—According to the statements of the directors of the Exchange Bank and Warehouse Company, Louisville, Ky, whose suspension occurred on July 27th, the business of the association will, in all probability, be finally closed. It is the opinion of President Loving that the assets of the association will be sufficient to pay its depositors.

**UNSUCCESSFUL FORGERY.**—A bold attempt to obtain \$3,000 from the National Pemberton Bank of Lawrence, Mass., on August 6th, was foiled by the caution of the cashier. A stranger presented himself with a letter purporting to be given by the cashier of the First National Bank of Woodbury, N. J., introducing him as a Mr. Reigart, who had occasion to do business in this vicinity, and stating that he held a draft of the New Jersey Bank for \$8,500, drawn on New York. The letter said: "We have sent Mr. Reigart to you at the request of our New York correspondent, the National Park Bank, who, in answer to our inquiry, recommended your institution. The signature of Reigart accompanies this." After presenting the letter the stranger offered the draft for deposit. It was a safety draft with the figures 8,500 punched across the end. Reigart endorsed it, and Mr. Jaquith received it and gave him a check-book. He said he proposed making Lawrence his headquarters, and would take \$3,000 on the draft and leave the balance on deposit. Everything seemed regular, but Mr. Jaquith answered that he preferred to give Mr. Reigart credit for the draft, and that he should postpone drawing on it until the bank re-opened at 2 o'clock. Reigart walked off. A telegram to the National Park Bank of New York brought a reply that they had no correspondence with the Woodbury (New Jersey) Bank, and that the dealings of the latter were with the First National Bank of Philadelphia. This proved the draft and the letter of introduction to be forgeries, and the police are in search of Reigart. He is a foreigner, of medium height, is smooth-faced, with hollow cheeks, dark hair and complexion, and about 35 years old.

**MISSOURI.**—The State Fund Commissioners of Missouri advertise for bids on a second installment of the \$5,000,000 renewal bonds authorized by the late Legislature. The amount now offered is \$2,287,000. The Commissioners have discretion to make the bonds either 5 per cent., payable in gold, or 6 per cent., payable in legal tenders, or 5 per cent. sterling bonds, and they call for bids on each kind. All are 5-20 bonds, payable in twenty years, but redeemable, at the pleasure of the State, at any time after five years. The gold and legal-tender classes are payable at the National Bank of Commerce in New York, and the sterling bonds in London. All are coupon bonds, interest payable in January and July. It is expected that these bonds will sell for a price above par, which would show the credit of Missouri above par for the first time in twenty years. This improved credit there is attributable to the new constitution, which, while permitting the Legislature to contract a temporary debt in an emergency to pay interest, positively prohibits it to contract any debt for any other purpose, and to "give or lend the credit of the State to any person, association or corporation," or to "pledge the credit of the State in any manner whatsoever" for the benefit of persons or corporations. The debt of the State on the first of January last was \$17,839,000, and of this \$300,000 will be paid the present year.

**A REMARKABLE VAULT.**—The Mutual Benefit Life Insurance Company has just completed a new fire and burglar proof vault, which is one of the strongest and best in the country. It is built of wrought-iron, steel and iron welded and Franklinite, and weighs nearly one hundred tons. The vault is fifteen feet high and has a gallery half way to the ceiling, after the manner of a library alcove. There are two doors, the outer three and a-half inches, and the inner one three inches thick. Each door has twelve huge bolts, locking on all sides, and so nicely adjusted that they all move with perfect ease and with but one handle. The locks are known as the Dexter Lock; their bolts, instead of being thrown out or brought in, are lifted, and have an attachment so arranged that were it possible to force the lock from the door the bolts would still be held fast. A light, sliding lattice door is used during office hours. This vault was built by Messrs. Herring & Co., the well-known safe manufacturers of New York.

**NEBRASKA.**—The banking houses of Messrs. Gerrard & Reed and Turner & Hulst, at Columbus, have been consolidated, forming the "Columbus State Bank," capital \$50,000. The officers are Leander Gerrard, President; George W. Hulst, Cashier. New York correspondent, Messrs. Kountze Brothers.

**NEW YORK.**—The Superintendent of the Bank Department, Mr. Ellis, under advice of the Assistant Attorney-General, has forbidden the savings banks from investing in the 3.65 per cent. bonds of the District of Columbia. Where any investment has already been made in these bonds, they will have to be withdrawn, and replaced with other securities authorized by the general Savings Bank Act, as these are held to be neither a State nor United States obligation.

**Glen's Falls.**—Col. Benjamin P. Burhans, President from its organization of the Glen's Falls National Bank, died at his home in Warrensburgh on July 16, in his seventy-seventh year. The Board of Directors of the Glen's Falls National Bank, at a meeting held on the 17th, adopted resolutions of respect to the memory of the deceased, from the following one of which the high character of Col. Burhans may be well understood:

"*Resolved*, That the whole history of this bank has been intimately identified with the prudence, sagacity, inflexible integrity, financial ability and large business experience which its lamented chief officer has brought to the councils of its directors. He was ever ready to give the weight of his influence and fortune, if necessary, to preserve the highest standard of reputation and credit for this corporation, and his active watchfulness over its interests for nearly twenty-five years, slackened only with the physical ability to maintain it. By personal endowment and dignity of manner he was eminently fitted to preside. By his genial spirit, friendly disposition, courtesy and Christian graces he won and retained the affectionate regard and esteem of hosts of people of all classes, who will long mourn his departure from among them."

**OHIO.**—The banking firm of Larkin, Wright & Co., Cincinnati, has been incorporated under the State law, as "The Larkin Bank," capital \$300,000, to commence business January 1, 1876. Incorporators—J. F. Larkin, David Sinton, John R. Wright, John Cochnower, and R. S. Rust.

**Defalcation.**—John M. Snyder, cashier of the Chillicothe National Bank, has been discovered to be a defaulter, to what amount has not yet been made public. Snyder left Chillicothe in July, and his movements induced an investigation, which showed that for eight years past he had been using the bank's balances in New York for speculative purposes.

**DUNCAN, SHERMAN & CO.**—Except the Jay Cooke failure, no financial disaster for years past has produced such an impression as the suspension of Duncan, Sherman & Co., which was announced about noon on Tuesday, the 27th July. Our last number having just gone to press, we were thus prevented from giving in it the details of this event, which took the banking community by surprise. For, although the insolvent firm were known to have lost money heavily in railroads, in cotton, and in other speculations, still the old prestige of the house caused it to enjoy an exceptional position of credit here and abroad. Twenty-four years ago the old firm of Duncan, Sherman & Co. was formed. Its partners had great reputed wealth, and its business reputation was of the very highest class. Ten years ago the firm consisted of three partners, Watts Sherman, Alexander Duncan and William Butler Duncan, of whom the first died, and the second retired. The junior member, Mr. William Butler Duncan, was thus left to form a new association under the old partnership name. It was announced that the capital of the firm would receive no diminution from the withdrawal of Mr. Alexander Duncan. For years there has prevailed a general belief that the insolvent house was backed by foreign capital. Hence the firm enjoyed almost unlimited credit up to the very day of its failure. An assignment for the benefit of the creditors was made to Judge Shipman, who has filed bonds to the amount of \$500,000. He filed the statement of liabilities and assets on August 17th. The former are \$4,916,013, and the latter \$2,119,368, or about 43 per cent., as shown on the next page.

## LIABILITIES.

Bills payable, partially secured, less currency.....	\$191,472 07
Value of securities held against same.....	94,261 71
<b>Total</b> .....	<b>\$97,210 36</b>
Bills payable, unsecured, currency.....	1,210,000 00
Bills payable, \$3,237.80, gold 114.....	3,691 09
Due to depositors, currency .....	2,230,314 12
Due to depositors, \$147,572.19, gold 114.....	168,232 29
Due to foreign correspondents, subject to adjustment, currency...	413,139 26
Due to foreign correspondents, \$418,654.33, gold 114.....	477,285 93
Cashier's checks, certified checks, and certificates of deposit.....	36,724 89
Due to depositors on account of travelers' credits and circular notes, currency .....	60,436 99
Due on circular notes, \$186,828.66, gold 114.....	202,978 97
<b>Total copartnership liabilities</b> .....	<b>\$4,916,013 80</b>

## ASSETS.

Cash on hand (currency).....	33,169 20
Cash on hand (gold, \$21,317.92, at 114).....	24,302 43
<b>Total</b> .....	<b>\$57,471 63</b>
Loans secured (currency), \$65,338.08; of which it is estimated will be received.....	25,907 32
Bills receivable (currency), \$184,055.08; bills receivable (gold), \$39,586.23, at 114, \$45,128.30; of which it is estimated will be received .....	122,808 17
Bills discounted (currency), \$97,057.04; of which it is estimated will be received.....	38,103 19
Open accounts (currency), \$780,740.12; open accounts (gold), \$113,461.27, at 114, \$129,345.77; of which it is estimated will be received.....	402,807 71
Due by foreign correspondents, subject to adjustment (currency), \$132,422.57, of which it is estimated will be received .....	127,663 31
Stocks and bonds estimated at present market value (currency)....	567,477 00
Bonds secured by mortgage on real estate (currency).....	133,427 67
Rents receivable.....	6,541 67
Real estate.....	371,367 07
Office furniture (estimated).....	1,000 00
<b>Total copartnership assets</b> .....	<b>\$1,854,568 04</b>
Personal assets (against which there are no liabilities) of William Butler Duncan, William Watts Sherman, and Francis H. Grain .....	264,800 00
<b>Total</b> .....	<b>\$2,119,368 04</b>

The accommodation paper drawn by A. Burgess, the firm's confidential clerk, amounts to \$1,126,000, all of it unsecured. Mr. William Butler Duncan has issued a circular proposing to give the creditors, in consideration of the discharge of the firm from their present obligations, his notes for 33½ per cent. of their claims, the notes to be dated July 27, and payable as follows: for 8½ per cent. November 27, 1875; for 5 per cent. May 27, 1876; for 5 per cent. November 27, 1876; for 5 per cent. May 27, 1877; and for the balance of 10 per cent. November 27, 1877. Mr. Duncan further says in his circular: "Notwithstanding this legal discharge, should the realization from the assets exceed the sum which I now propose by way of composition, I undertake to see that the excess shall be distributed to creditors pro rata." The proposition is that the assets shall be managed by Mr. Duncan under supervision of R. L. Kennedy, Esq., and George W. Duer, Esq. The prevailing feeling is in favor of accepting the composition, instead of wasting money in litigation.

CANADA.—The general meeting of the shareholders of the Jacques Cartier Bank was held at Montreal on August 10th. The statement showed the liabilities on the day of suspension to be \$6,239,876. The assets are largely composed of overdrawn accounts, past due notes and bad debts. A large portion of the capital stock had been loaned to contractors and merchants to meet their responsibilities. The specie, bills and amounts due from other banks will be sufficient to redeem the notes. A committee, which was appointed at a previous meeting to examine thoroughly the affairs of the bank, reported that, although they had not been able to make a thorough investigation, they were convinced that the bank could not resume business. The meeting adjourned till September 1.

THE RECENT LONDON FAILURES.—The London correspondent of the Liverpool *Daily Post* writes as follows of the effect in that city of the arrest of the Messrs. Collie: "Not since the day on which it was resolved to prosecute the Gurneys has there been such excitement in the city as there was when it became known that the Messrs. Collie had been arrested. The news was hardly to be believed, and astonishment was everywhere expressed. It had been rumored for days that something was going to happen, but few could credit the assertion that the London and Westminster Bank would have the courage to fulfill its threats. It seems, however, according to current report, that if the London and Westminster Bank had not acted, action would have been taken from another and unexpected quarter. The line of the Messrs. Collie's defense has been clearly foreshadowed, and some excitement has been caused by the revelation. Disclosures, it is asserted, will be made which will shock the public—especially the public which knows nothing of the inside workings of the city. Whatever may be the result of the trial of the Collies, it will not be the fault of the banks, nor of certain mighty men by whom even banks are controlled, if the whole system of accommodation bills does not receive a deadly blow."

THE *Times*, in remarking upon the arrest of the Messrs. Collie, thus comments: "Has it not been known at any time for the last five years or more that the East India trade had become unprofitable? This has been no secret. Honest firms using their own money have been reduced to the closest and most cautious trading, or have withdrawn from the field altogether. All this time people of the Collie type have been supported in their reckless and ruinous practices by those who have the command of large masses of capital. Let justice indeed be done; but the less display of surprise and indignation we have the better."

## THE PREMIUM ON GOLD AT NEW YORK,

JULY—AUGUST, 1875.

1874.	Lowest.	Highest.	1875.	Lowest.	Highest.	1875.	Lowest.	Highest.
May ....	11 $\frac{1}{2}$	13 $\frac{1}{2}$	July 24 ..	12	12 $\frac{3}{4}$	Aug. 9 ..	13 $\frac{1}{2}$	13 $\frac{3}{4}$
June ....	10 $\frac{1}{2}$	12 $\frac{1}{4}$	26 ..	12	12 $\frac{3}{4}$	10 ..	13 $\frac{1}{2}$	14
July .....	9	10 $\frac{1}{2}$	27 ..	12 $\frac{3}{4}$	16 $\frac{1}{2}$	11 ..	13 $\frac{1}{2}$	14 $\frac{1}{2}$
August ..	9 $\frac{1}{4}$	10 $\frac{1}{2}$	28 ..	13 $\frac{1}{2}$	14 $\frac{1}{2}$	12 ..	13 $\frac{1}{2}$	14
September ..	9 $\frac{1}{4}$	10 $\frac{1}{2}$	29 ..	12 $\frac{3}{4}$	12 $\frac{3}{4}$	13 ..	12 $\frac{1}{2}$	13 $\frac{1}{2}$
October ..	9 $\frac{1}{4}$	10 $\frac{1}{2}$	30 ..	12 $\frac{3}{4}$	13 $\frac{1}{2}$	14 ..	13 $\frac{1}{2}$	13 $\frac{3}{4}$
Nov. ....	10	12 $\frac{1}{2}$	31 ..	12 $\frac{1}{4}$	13	16 ..	13 $\frac{1}{2}$	13 $\frac{3}{4}$
Dec. ....	11 $\frac{1}{2}$	12 $\frac{3}{4}$	Aug. 2 ..	12 $\frac{3}{4}$	13	17 ..	13	13 $\frac{1}{2}$
1875.			3 ..	12 $\frac{3}{4}$	13	18 ..	13 $\frac{1}{2}$	13 $\frac{3}{4}$
April ....	14	15 $\frac{1}{2}$	4 ..	12 $\frac{1}{2}$	13	19 ..	13 $\frac{1}{2}$	14 $\frac{1}{2}$
May .....	15	16 $\frac{1}{2}$	5 ..	13	13 $\frac{1}{2}$	20 ..	13 $\frac{1}{2}$	13 $\frac{3}{4}$
June .....	16 $\frac{1}{4}$	17 $\frac{1}{2}$	6 ..	13 $\frac{1}{2}$	14	21 ..	13 $\frac{1}{2}$	13 $\frac{3}{4}$
July .....	11 $\frac{1}{4}$	17 $\frac{1}{2}$	7 ..	13 $\frac{1}{2}$	13 $\frac{1}{2}$	23 ..	13 $\frac{1}{2}$	13 $\frac{1}{2}$

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

*(Monthly List; continued from August No., page 158.)*

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank and President.</i>	<i>Cashier and N. Y. Correspondent.</i>
ILL .....	Pekin. ....	Farmers' National Bank. ... \$ 50,000 Jonathan Merriam, <i>Pr.</i>	A. B. Hoblit, <i>Cas.</i>
" .....	Woodstock ....	Murphy & Bishop. ....	Third National Bank.
" .....	Elgin .....	Bosworth, Carpenter & Co. ....	C. S. Kilbourne, <i>Cas.</i> Chemical National Bank.
" .....	Newton .....	People's Bank. .... \$ 75,000 B. Faller, <i>Pr.</i>	S. Johnson, <i>Cas.</i> Ninth National Bank.
IND .....	Spencer .....	Exchange Bank. .... \$ 50,000 William M. Franklin, <i>Pr.</i>	William H. Troth, <i>Cas.</i> Third National Bank.
" .....	Waterloo .....	Citizens' Bank. .... \$ 25,000	W. C. Langan, <i>Cas.</i>
" .....	Waterloo .....	De Kalb Bank. ....	Aug. F. Best, <i>Cas.</i> Irving National Bank.
IOWA ...	Gilman .....	Henriques & Rice. ....	John J. Cisco & Son.
" ...	Mitchellville. ...	O. J. Dutton & Co. ....	Tenth National Bank.
" ...	Des Moines ...	Des Moines Bank. .... Simon Casady, <i>Pr.</i>	Elwood S. Gatch, <i>Cas.</i> Continental National Bank.
" ...	Panora .....	Guthrie County Bank. .... S. D. Nichols, <i>Pr.</i>	L. J. Pentecost, <i>Cas.</i> Third National Bank.
MASS ...	Gloucester ....	City National Bank. .... \$ 150,000 Addison Gilbert, <i>Pr.</i>	William A. Pew, <i>Cas.</i> Nat. Bk. Comm'wlth, Bost.
" ...	Spencer .....	Spencer National Bank .... \$ 75,000 Erastus Jones, <i>Pr.</i>	W. L. Demond, <i>Cas.</i>
MICH ...	Vicksburgh ...	Bank of Vicksburgh .....	Tenth National Bank.
MINN ...	Albert Lea ...	Freeborn County Bank. ....	American Exchange Nat. Bk.
MO .....	Jamesport ....	Farmers' Bank. .... \$ 50,000 C. C. Gilliland, <i>Pr.</i>	N. M. Smith, <i>Cas.</i> Donnell, Lawson & Co.
" .....	Fredericktown. ...	H. K. Davis & Co. ....	Donnell, Lawson & Co.
" .....	Milan .....	J. M. Hurley & Co. ....	Donnell, Lawson & Co.
NEB ...	Columbus, ....	Columbus State Bank. .... \$ 50,000 Leander Gerrard, <i>Pr.</i>	Abner Turner, <i>Cas.</i> Kountze Brothers.
OHIO ...	Somerton ....	Belmont Bank. .... \$ 26,400 Richard C. Miles, <i>Pr.</i>	T. F. Martin, <i>Cas.</i> First National Bank.
" ...	Belleville. ....	Exchange Bank. .... H. Alexander, <i>Pr.</i>	David Zent, <i>Cas.</i> Third National Bank.
PENN ...	Philadelphia. ...	Keystone National Bank. ... \$ 200,000 Thomas Allman, <i>Pr.</i>	J. B. Wiswell, <i>Cas.</i> Nat. Shoe & Leather Bank.
" ...	Freeport .....	First National Bank; .... \$ 50,000 Emanuel Wertheimer, <i>Pr.</i>	J. R. Magill, <i>Cas.</i>
" ...	Slatington. ....	National Bank of Slatington \$ 30,000 Peter Gross, <i>Pr.</i>	William H. Gish, <i>Cas.</i>
" ...	Bedford .....	Hartley, Russell & Co. ....	John S. Bowers, <i>Cas.</i> Robert Winthrop & Co.
TEXAS ..	Seguin .....	Wallace Bros. & Williams .	Forster, Ludlow & Co.
Vt. ....	Barton .....	Barton National Bank. .... \$ 90,000 Hiram McLellan, <i>Pr.</i>	H. K. Dewey, <i>Cas.</i>
WIS ...	Delavan .....	Citizens' Bank. ....	German-American Bank.





## DISSOLVED, DISCONTINUED, OR CHANGED.

*(Monthly List, continued from August No., page 158.)*

- ALA.... Farley, Smith & Co., *Montgomery*; now Farley, Spear & Co.  
 GA..... Trieste & Herman, *Savannah*; dissolved.  
 ILL..... State Street Savings Bank, *Chicago*; closed.  
 "..... C. F. Emery, *Maroa*; now C. F. Emery & Co. (admitting John S. Sargent).  
 IND..... De Kalb Co. Bank, *Waterloo*; succeeded by Citizens' Bank and De Kalb Bank.  
 IOWA... McMurray & Eastman, *Belmond*; succeeded by L. B. Clark & Co.  
 "..... Winneshiek County Bank, *Decorah*; now owned by Mrs. H. S. Weiser & Co.  
 "..... Read & Farnham, *Clarinda*; merged in First National Bank.  
 KAN.... First National Bank, *Chetopa*; closing—succeeded by Ketcham & Co.  
 MICH... Daniel C. Tilden & Co., *Mount Clemens*; now Daniel C. Tilden.  
 MINN... Bank of *Le Sueur*; now M. Doran & Co. (admitting W. H. Stewart).  
 MO..... Price, Brownlee & Co., *Brookfield*; now Brownlee & Co.  
 NEB... Worthing, Sheppard & Co., *Bloomington*; closed banking business.  
 "..... Gerrard & Reed and Turner & Hulse, *Columbus*; consolidated as Columbus State Bank.  
 N. Y.... Auburn City National Bank, *Auburn*; merged in First National Bank.  
 N. C.... Bank of Mecklenburg, *Charlotte*; closing.  
 OHIO... L. Scott & Co., *Waynesburgh*; now L. Scott.  
 PENN... Wakeman & Dusenbury, *Great Bend*; now George Dusenbury & Son.  
 "..... George A. Torrence & Co., *Connellsville*; succeeded by Joseph Johnson.  
 "..... Iron Bank, *Philadelphia*; now Merchants' Exchange Bank.  
 TEXAS.. Ferris (J. W.) & Getzendaner, *Waxahachie*; now Getzendaner & (Royal A.) Ferris.  
 "..... Isaac Jalonick & Co., *Rockdale*; closed.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS,

Authorized July 21 to August 23, 1875.

No.	Name and Place.	President and Cashier.	Capital.	
			Authorized.	Paid.
2286	First National Bank, Freeport, PENN.	Emanuel Wertheimer.... J. R. Magill.	\$50,000	\$50,000
2287	Farmers' National Bank, Pekin, ILL.	Jonathan Merriam..... A. B. Hoblit.	50,000	50,000
2288	Spencer National Bank, Spencer, MASS.	Erastus Jones..... W. L. Demond.	150,000	75,000
2289	Metropolitan National Bank, Boston, MASS.	Spencer W. Richardson... S. D. Loring.	500,000	251,800
2290	Barton National Bank, Barton, VT.	Hiram McLellan..... H. K. Dewey.	150,000	90,000
2291	Keystone National Bank, Philadelphia, PENN.	Thomas Allman..... J. B. Wiswell.	200,000	200,000
2292	City National Bank, Gloucester, MASS.	Addison Gilbert..... William A. Pew.	150,000	75,000
2293	National Bank of Slatington, PENN.	Peter Gross..... William H. Gish.	50,000	30,000

## NOTES ON THE MONEY MARKET.

NEW YORK, AUGUST 23, 1875.

*Exchange on London at sixty days' sight, 4 $\frac{86}{100}$  a 4 $\frac{87}{100}$ , in gold.*

Gold has been dull in consequence of the decline of the export and the winding up of the clique of speculators for the advance. The stock market has been without animation. Governments have been strong and active under a growing demand from abroad. The recent decline of gold caused a responsive fall in five-twenties. A bear movement in the new five-twenties of 1865 seems to have been started in London and among the foreign bankers here. The report was put in circulation that the 1865s, new, would be called in by Secretary Bristow before the 1865s old, which were first negotiated. An official letter from Secretary Bristow, under date of July 27, declares positively that the United States five-twenty bonds "will be called in for redemption in the order of their issue," and as the "1865s old" were actually issued before the 1865s new, there seems no reason to doubt that they will be first called. As a matter of fact, however, the new issue, with interest payable January and July, are dated *July*, 1865, while the old, with interest May and November, are dated *November*, 1865. Both issues are under the same act, and we understand that after the May and November issue had been sold the Treasury wished to change the interest period on the balance of bonds to January and July, and in making this change antedated them July, 1865, instead of making them January 1st, 1866.

Railroad bonds are less active, notwithstanding the ease in money. Among the Southern State bonds the Virginias seem to have been in most favor, and prices have advanced. In railroad shares the business is light, as the chief leaders in the speculative arena are away from Wall Street enjoying their summer vacation. Our usual quotations are appended:

QUOTATIONS:	July 26.		Aug. 2.		Aug. 9.		Aug. 16.		Aug. 23.
Gold.....	112 $\frac{3}{4}$	..	112 $\frac{3}{4}$	..	113 $\frac{3}{4}$	..	113 $\frac{3}{4}$	..	113 $\frac{3}{4}$
U. S. 5-20s, 1867 Coup.	120	..	120	..	120 $\frac{1}{2}$	..	120 $\frac{1}{2}$	..	120 $\frac{1}{2}$
U. S. new Fives Coup.	115 $\frac{3}{4}$	..	114 $\frac{3}{4}$	..	116 $\frac{3}{4}$	..	116 $\frac{3}{4}$	..	116 $\frac{3}{4}$
West Union Tel. Co.	82 $\frac{3}{4}$	..	83 $\frac{3}{4}$	..	84 $\frac{3}{4}$	..	84 $\frac{3}{4}$	..	84
N. Y. C. & Hudson R.	104	..	104	..	104 $\frac{1}{2}$	..	104 $\frac{1}{2}$	..	104 $\frac{1}{2}$
Lake Shore.....	61 $\frac{3}{4}$	..	61 $\frac{3}{4}$	..	60 $\frac{3}{4}$	..	60 $\frac{3}{4}$	..	60 $\frac{3}{4}$
Chicago & Rock Island	105 $\frac{3}{4}$	..	105 $\frac{3}{4}$	..	105 $\frac{3}{4}$	..	107 $\frac{3}{4}$	..	107 $\frac{3}{4}$
New Jersey Central...	110	..	110	..	109 $\frac{1}{2}$	..	110	..	110 $\frac{1}{2}$
Eric.....	14 $\frac{3}{4}$	..	14 $\frac{3}{4}$	..	14 $\frac{3}{4}$	..	15 $\frac{3}{4}$	..	15 $\frac{3}{4}$
Union Pacific.....	74 $\frac{3}{4}$	..	72 $\frac{3}{4}$	..	72	..	72 $\frac{3}{4}$	..	72 $\frac{3}{4}$
Bills on London.....	4.86 $\frac{1}{2}$ a 4.87	..	4.87 a 4.87 $\frac{1}{2}$	..	4.87 a 4.87 $\frac{1}{2}$	..	4.87 a 4.87 $\frac{1}{2}$	..	4.86 $\frac{1}{2}$ a 4.87
Treasury balances, cur.	\$ 57,482,269	..	\$ 59,421,591	..	\$ 60,043,153	..	\$ 60,623,176	..	\$ 62,318,527
Do. do. gold	34,961,310	..	35,990,531	..	37,100,434	..	35,423,874	..	33,607,442

The New York city six per cent. gold bonds have just been placed on the list at the London Stock Exchange. Last week Comptroller Green received proposals for

\$370,000 6 per cent. city bonds. The aggregate bids amounted to \$983,000, at 100 to 102, 115.

The money market rules at 4 a 4½ for double-named first-class 60-day paper, and at 4½ a 5 for four months. Less acceptable grades go at 5½ a 6, and single-named at 7 a 9 per cent. Gold paper passes at 6½ to 7 for prime double-named sixty-day, and at 7 a 8 for four months. Single-named passes at 8 a 9 for sixty-day notes, and at 9 a 10 for four months. There is no change worthy of note, except that time loans on governments are lower. Some 60-day loans on miscellaneous securities are reported as low as 2 per cent. Never, at this time of the year, have the rates for money been so low as now. The same ease prevails abroad. In the European money markets the rates are down to an almost unprecedented level, the reason being the accumulation of idle capital, and the depression of industrial enterprise, which must be temporary in their duration, although there are few indications of an early termination of the partial paralysis of the monetary and industrial energies of the commercial world. The bank statements reflect the accumulation of idle capital and the limited outlets for its employment. The New York Clearing-House banks report as follows:

1875.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Exchanges.
July 26 . . .	\$277,549,200	\$17,519,400	\$75,015,200	\$18,599,400	\$252,118,600	\$361,304,383
Aug. 2 . . .	278,907,700	15,737,200	75,534,000	18,576,100	251,066,100	392,741,677
" 9 . . .	280,434,300	16,334,400	73,601,300	18,521,800	251,462,800	364,950,425
" 16 . . .	283,541,900	13,442,100	70,726,200	18,412,700	248,033,200	303,253,766
" 21 . . .	282,961,200	12,385,700	70,390,700	18,234,500	246,176,800	317,911,173

The Boston Clearing-House statements compare as follows:

1875.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.
July 26 . . . . .	\$131,525,900	\$1,358,700	\$8,295,800	\$24,941,000	\$76,076,300
Aug. 2 . . . . .	131,934,400	1,093,000	8,968,500	24,887,000	75,773,500
" 9 . . . . .	133,224,400	1,046,700	8,716,500	24,909,500	77,011,000
" 16 . . . . .	133,520,700	909,100	8,718,300	25,001,900	76,254,700

The Philadelphia statements are as follows:

1875.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
July 26 . . . . .	\$61,428,324	\$272,550	\$15,037,828	\$50,769,033	\$10,852,648
Aug. 2 . . . . .	61,815,925	325,719	14,808,582	50,685,715	10,897,007
" 9 . . . . .	61,976,228	404,924	14,668,124	49,995,368	10,982,312
" 16 . . . . .	61,999,894	346,672	14,572,026	49,693,912	10,973,505

The Redemption Agency of the National Currency Bureau has just completed the statement of its transactions for the first fiscal year of its existence. The total amount redeemed was \$130,322,945. The number of notes was 17,842,310, with an average denomination of \$7.30. The aggregate expenses of the year were about two-ninths of one per cent. upon the amount assorted. The assessment upon each bank varies from this average according as the average denomination of its notes assorted is greater or less than the average denomination of all the notes assorted. Unless there should be some unforeseen increase of expenses, the rate per cent. of the expenses for the current fiscal year will be much less than for the last year, on account of the increased efficiency of the force, and the fact that the requisite furniture and appliances have been provided.

There will soon be issued from the Treasurer's office a statement of the receipts and expenditures for the fiscal year. The expenses will cover the salaries of the clerks, which amount to \$158,000, express charges on packages to and from the banks, the printing and stationery, postage, furniture, contingent expenses, and profit and loss. The latter amounts to \$15,000, and covers all losses by theft or otherwise since the organization of the bureau, most of it occurring before the transaction of business had been systematized.

The total outstanding circulation of the National banks, with the amount of bonds deposited in Washington, compare as follows:

Week ending	Notes in Circulation.	Bonds for Circulation.	U.S. deposits.	Total bonds.	Coin in Treasury.	Coin Certificates.
May 15.....	\$350,459,189 ..	\$379,198,900 ..	\$16,017,200 ..	\$395,216,100 ..	\$92,205,130 ..	\$20,848,600
May 22.....	350,012,329 ..	379,186,900 ..	15,967,200 ..	395,154,100 ..	92,551,522 ..	20,119,800
June 5.....	350,780,279 ..	378,938,900 ..	15,917,200 ..	394,856,100 ..	83,927,204 ..	19,777,200
June 12.....	349,257,859 ..	378,176,400 ..	15,942,200 ..	394,118,600 ..	83,608,659 ..	19,248,300
June 19.....	348,994,474 ..	376,860,400 ..	15,892,200 ..	392,752,600 ..	77,016,446 ..	19,803,100
June 26.....	349,462,839 ..	376,585,600 ..	15,817,200 ..	392,402,800 ..	69,945,673 ..	18,489,700
July 3.....	349,285,309 ..	375,735,000 ..	15,792,200 ..	391,527,200 ..	.....	.....
July 10.....	349,735,164 ..	375,333,000 ..	15,792,200 ..	391,125,200 ..	69,608,526 ..	23,673,800
July 17.....	351,613,724 ..	375,197,362 ..	15,792,200 ..	390,989,562 ..	68,860,027 ..	23,309,400
July 24.....	350,764,469 ..	374,753,362 ..	18,792,200 ..	393,545,562 ..	66,926,937 ..	22,628,300
July 31.....	349,835,249 ..	374,894,362 ..	18,792,200 ..	393,686,562 ..	.....	.....
Aug. 7.....	348,937,939 ..	374,927,862 ..	18,792,200 ..	393,720,062 ..	71,953,412 ..	22,657,200
Aug. 14.....	349,205,093 ..	374,917,762 ..	18,792,200 ..	393,709,962 ..	70,716,887 ..	19,740,700
Aug. 21.....	349,130,000 ..	374,790,000 ..	18,800,000 ..	393,590,000 ..	.....	.....

The July statement of the condition of the savings banks in the State of New York has just been issued. The total amount of deposits, exclusive of surplus, is \$316,335,617.82, and the aggregate assets of the savings banks are \$336,308,236.43. There is an apparent decline in the surplus since January 1, but this is owing to the different mode of computation. The gain in deposits since January 1 is over \$12,000,000. There is also a gain of over 36,000 in the number of depositors. The increase in deposits is the largest since 1872.

The new loans issued, according to the Belgian *Moniteur des Interets Matériels*, during the first half of 1874, amounted, in all the civilized world, to about \$474,600,000, of which \$116,500,000 were government and municipal, \$25,400,000 for banks and other credit establishments, and \$332,700,000 for railroads and manufacturing companies. This was a little more than the total for the preceding half-year, though not nearly as much as the loans issued during the first half of 1873. Of the whole amount issued in the last half-year, Great Britain, Russia and America took 71 per cent., the American loans being \$39,590,000 for government and cities, and \$98,150,000 for railroad and manufacturing companies. The loans for the latter purposes were a seventh greater for Great Britain (chiefly her colonies) than America. Russia, which stands next in amount to America, took but little more than one-third as much.

In Germany the demand for the shares of the Imperial Bank was larger than was reported. Nine hundred millions of marks, equal to fifteen times the amount required, were subscribed. In the allotment of shares the subscribed, for a small number, are to have the precedence. According to the returns published by the *Reichsanzeiger*, there were at the end of May the following aggregates of notes in circulation. In notes of 50 marks and less, 157,103,992 marks; in notes from 50 to 100 marks, 196,476,349 marks; and in notes of 100 marks and more, 358,601,871. Altogether the bank-note circulation has fallen off since the end of April to the extent of 37 millions of marks. As to the State paper money, it is also diminishing in its volume. The Governments of Oldenburg and Weimar are said to be withdrawing their paper money. The Bank of Oldenburg, which had the care of the State's paper, will in its stead issue notes. It is also reported that the new Bavarian note-bank has been authorized by the Government. To aid the circulation of specie, the nine mints of the German Empire are authorized to coin money for private persons. The announcement is made in the *Reichsanzeiger* of the 11th instant. The price demanded for coining is fixed at three marks per pound of fine gold. The gold must be delivered up in ingots weighing not less than five pounds. Three marks extra will have to be paid as a fee for testing the fine gold contained in an ingot of five pounds weight.

We have often discussed the *Credit Foncier*, and called attention to the development in Europe of the finance of real estate. The London *Economist* refers to this subject and specifies a new species of security, which has lately been offered for subscription in London. Several of the Land Mortgage Banks of Russia have been issuing bonds at prices to pay the investor about 7 per cent. and upward, and have offered as special security, in addition to the general pledge of their own assets, a deposit of 5 per cent. in Russian Government stock, which they have made with the Imperial State Bank of Russia, and an assignment of mortgages on property in Russia of an equal nominal amount with the present issue, and forming the first charge on property of at least 50 per cent. more value. So far the story told by these Land Mortgage Banks is a very plausible one; and, as the Russian Finance Minister vouches for the regularity of the transaction according to the Russian law, and the credit of Russian Government bonds stands high in the market, most of the issues which have already been made are believed to have met with some success. But the risk of this description of security is patent. Suppose a Russian bank mismanages its business and lends badly, how is it to be known by those who take its bonds here that the mismanagement has occurred, and that the bonds of that bank are to be avoided? The presumption is that some bad business must be done, and that amongst those banks which come here for money there may be included some of the worst managed, who would have the greatest difficulty in obtaining any money at home to extend operations. Investors ought to bear in mind that they are, in fact, invited to become depositors with distant foreign banks of which they can know very little, and that, although security is offered them, it is impossible for them to say whether it is illusory or not.

On a previous page, we give an elaborate article on the decline of Immigration. As we go to press we receive from the Bureau of Statistics the following statistics of immigration into the United States during the year ending June 30: In 1875—Males, 139,880; females, 87,497; total, 227,377. In 1874—Males, 189,225; females, 124,114; total, 313,339. Decrease in 1875, 85,962. Of the immigrants in 1875 there were from England, 40,098; Ireland, 37,955; Scotland, 7,309; Wales, 449; Germany, 47,760; Austria, 6,882; Sweden, 5,573; Norway, 6,093; Denmark, 2,656; Switzerland, 1,814; France, 8,315; Italy, 3,570; Russia, 7,982; Poland, 984; Provinces of China, 16,433; Japan, 3; Quebec and Ontario, 18,654. Nova Scotia, 2,874; New Brunswick, 1,505; Prince Edward's Island, 390; Newfoundland, 102; Vancouver's Island, 524; Mexico, 610; Cuba, 1,154; Azores, 1,176; Australia, 1,077; Born at sea, 55.

The total amount of Canal tolls collected on the New York State Canals from the opening of navigation to and including the second week in August, 1875, has been \$704,247.32. For the same length of time last year it was \$1,411,097.68; showing a decrease of \$706,850.36 thus far this year.

The subjoined statement of imports and exports for the year ended June 30, 1875, has just been issued by the Bureau of Statistics. Compared with the preceding fiscal year a marked falling off in the aggregates of our foreign and domestic trade is shown. The total value of imports for the year was \$553,906,253, a falling off of nearly \$42,000,000 compared with the preceding year. Of the merchandise imported, \$167,180,644 was non-dutiable, leaving \$386,725,609 to pay \$156,479,131 collected from customs last year. The decrease in gold coin imported was \$5,773,313, and in silver coin, \$2,205,916. During the year the excess of gold coin exported, compared with 1874, was \$30,542,827, and silver coin \$560,252, which shows a loss in coin for the last fiscal year of over \$39,000,000.

In iron and steel, and their manufactures, the decrease was \$15,317,296. Of this decrease nearly \$7,000,000 was in steel bars and rails alone. In brown sugar the decrease was over \$7,000,000. This decrease did not affect the refining and

exportation of that article, the value of refined sugar exported from the United States rising from \$1,041,162 in 1874 to \$2,585,382 in 1875. In leaf tobacco and cigars the falling off was \$1,854,566, which represents a decrease of 3,000,000 pounds of leaf tobacco and 41,000 cigars. In foreign wines, spirits and cordials we economized to the extent of \$877,000 and our bill for malt liquors was reduced \$10,439. What we saved in liquors and tobacco was spent more than twice over in fruits and nuts, these costing last year \$4,256,150 more than in 1874. Our coffee cost us less by \$4,457,479, and yet we got for the money spent in 1875 nearly 37,000,000 pounds more than we got in 1874. We bought over 6,145,274 more pounds of tea than in 1874, and increased our expenditures on that account \$1,561,409.

The falling off in domestic exports for the year was as marked as the falling off in imports. The total value of commodities, the growth, product, and manufacture of the United States, exported during the year was \$643,081,433, against \$693,039,054 in 1874, a decline for the last year of \$49,957,621. The Chief of the Bureau of Statistics says the value of domestic merchandise exported to Canada in railroad cars, not included in the above figures, is about fourteen million dollars, which would make the actual falling off in domestic exports for the year, compared with the preceding, about thirty-six million dollars. It is noticeable that all our great staples show an unusual decline in values exported. Of breadstuffs and cotton we exported \$80,000,000 less than in the preceding year. The aggregate decline in breadstuffs, cotton, oils, tallow, and tobacco, was nearly one hundred million dollars, the exact figures being \$99,108,592. These form our great staples of export, and contribute more than half of all the values annually sent abroad. In breadstuffs alone the falling off was \$49,743,560; cotton, \$30,584,955; oils, \$11,157,814; tallow, \$2,443,117; tobacco, \$5,179,146. The export of cotton was less than during any year since the close of the rebellion, except 1868, when it was \$153,000,000, and 1872, when it was \$181,000,000. The table is as follows:

## IMPORTS INTO THE UNITED STATES.

	1874.	1875.
Foreign imports.....	\$ 567,406,342	\$ 533,000,309
Specie included in above.....	28,454,906	20,894,217

## EXPORTS FROM THE UNITED STATES.

	1874.	1875.
Domestic shipments, mixed value.....	\$ 633,339,368	\$ 559,224,304
The above reduced to gold value.....	\$ 569,433,421	\$ 499,285,296
Add exports of foreign goods.....	16,849,619	14,058,322
Total exports for the year.....	\$ 586,283,040	\$ 513,343,618
Domestic specie (included in above) ....	\$ 59,699,686	\$ 83,857,129
Foreign specie (included in above).....	6,930,719	8,275,013
Total exports of specie.....	\$ 66,630,405	\$ 92,132,142

---

## DEATH.

At CLEVELAND, Ohio, on Thursday, August 5th, aged sixty years, DANIEL P. RHODES, President of the People's Savings and Loan Association.

THE  
**BANKER'S MAGAZINE,**  
AND  
**Statistical Register.**

---

VOLUME X, }  
THIRD SERIES. }

OCTOBER, 1875.

No. 4.

---

**SPECIE PAYMENTS AND INTERNATIONAL BANKING  
REFORM.**

The sudden advance of gold last month has raised several questions in the financial circles. First, the fear is expressed that the period fixed by Congress for the resumption of specie payments may require to be extended. In opposition to this fear, we have elsewhere expressed the opinion that the advance is artificial, and that it will, in all probability, be but temporary. Whether this be the correct view or not, we may be well assured that it is the general conviction in Europe that we enjoy better facilities in this country for resumption than exist elsewhere. Hence the legislation of the United States to shake off the trammels of paper money has had a very wholesome influence all over the commercial world. Travelers in Europe tell us that there has never been a time in which the example of our country was quoted with so much respect in matters of industrial progress and organization. Forty years ago, President Madison told Miss Martineau that this country seemed to be set among the nations to do many things before deemed impossible. Since that time Europe has learned many wholesome lessons from the example of the United States, and much of the progress achieved in Europe is thus by many persons believed to have been aided. On the same principle, they have ascribed to the influence of the United States the singular unanimity with which those nations of Europe, which for many years have had a paper money system, have of late been making such rapid strides toward the goal of specie payments, and of sounder currency and banking.

We do not undertake to say what force there may be in such reasoning. This much of plausibility it certainly has, that all over Europe there is a decided movement toward sounder systems of banking and currency than have of late years prevailed. This



movement, however, may have arisen, without doubt, in part from the vast extent of modern commerce, and from its rapid growth. Certainly these circumstances have cemented the union of the nations into one commercial family, and have made it for the interest of all countries to use a currency of uniform value, and of a metallic basis, instead of the irredeemable paper that has been in some countries so long and so mischievously in use. If this explanation be accepted, then the movement toward specie resumption, that has been referred to, is only a part of a much more comprehensive series of reforms, which are carrying forward the nations, by great natural laws, toward a purer, sounder and a more adequate monetary and banking system. It is in consequence of these causes that England is, at the present time, exploring her banking system, by means of a Parliamentary committee, with a view to reform some of its more conspicuous evils. Even Austria has not been able to resist the pressure, and she is agitating the question of specie resumption. Italy is busy with projects of fiscal reform, and her monthly banking reports, issued by the Government, offer models for imitation. She will doubtless try, before long, to resume, and France has already fixed the day of resumption, and has accumulated the needful supply of gold for the purpose.

In Switzerland, too, the currency question is attracting more discussion than ever before. The methods proposed for correcting the perturbations of the monetary system are stated by M. Block to be a conservative change of the banking laws and an increase of the restrictions on the issue of bank-notes. Russia is another of the paper money countries of Europe, and is the only one that is not making efforts looking to the restoration of the specie standard. The legal standard of money in Russia is the silver rouble of 278 grains of fine silver. The present circulation is little else but depreciated paper money, and if, as is expected, the price of silver should go lower in the European markets the fall of price will diminish the discount on the Russian paper. If the price of silver should fall to 10 per cent. the effect will be the same on the Russian monetary system as if the weight of the silver rouble were diminished 27.8 grains and the market price of silver were unchanged. In other words, it would not be that paper money rose in value, but it would be the silver money that declined in value. If the ambition of Russia were not directed into other channels, it is quite possible that the policy of currency reform would be adopted, and that some attempt would be made for specie resumption at an early date. The recent movements of the Russian currency are interesting, and we propose next month to give some account of them.

In Prussia the adoption of the gold standard also favors the better regulation of the Government issues of notes. A royal decree was published at the end of June withdrawing all the Prussian State paper money. At the end of this year, all their Government notes which have not been redeemed and canceled will be uncurrent. The amount of these notes outstanding at present is 54 millions of marks, or \$12,500,000. The Imperial Government is

also exchanging all the paper money of the different German States at par for the reichskassenscheine or imperial gold notes. Its nine mints in the various cities of Germany are more actively at work than ever. To the 5th June, Germany had coined gold pieces worth 1,144,410,210 marks, or \$228,882,042. Of this sum, 885,539,460 marks' worth were double crowns, and 258,870,750 marks' worth were crowns. The silver coinage is the most deficient in amount, being only 99,765,112 marks, the nickel coins 11,312,279 marks, and the copper coins, 4,163,403 marks. During the last three years the premature emission of the gold coins in Germany is believed to have caused an export of \$100,000,000 of gold from Germany, or nearly one-third of the aggregate of the new coinage. To check this export of gold coin, the old silver two-thaler pieces are being withdrawn, which will diminish the metal circulation of Germany by \$37,000,000. This withdrawal of coin is expected to deplete the overcharged channels of the circulation. Such a process is the more desirable, as the excess of the circulation of Germany is estimated to have risen \$90,000,000 above its normal level. The most important part of the German monetary movement, however, is embodied in the recent Imperial Banking law, a full copy of which is published on another page.

We learn that, at the close of August, the Prussian Bank added a new branch office in Mayence to those already established in Leipzig, Dresden, Chemnitz. Moreover, the commercial men of Munich and Ulm have asked for the establishment of a branch in these cities. The universal favor accorded to the branch offices of the Prussian Bank is chiefly due to its liberality in discounting bills, and to its concessions of personal credit to solid firms. The belief is that when once the Prussian Bank has actually changed into an Imperial Bank this credit will have to grow less. The commercial men in Berlin universally believe that when the Imperial Bank comes into existence, thirteen of the banks now doing business will give up their right of issue. These banks are the following: 1. Berlin Cassen Verein; 2. Ritterschaftliche Privat Bank in Pomerania; 3. Communalstandiche Bank in Upper Lansitz; 4. Bank of Weimar; 5. Bank of Meiningen; 6. Private Bank of Gotha; 7. Bank of Anhalt-Dessau; 8. Bank of Sondershausen; 9. Bank of Gera; 10. Bank of Hamburg; 11. Bank of Lower Saxony in Bückeburg; 12. Bank of Chemnitz; and 13. Private Bank of Lübeck.

Should this anticipation be realized the Imperial Bank's right of issue, free from taxes, would grow by 15,952,000 marks. The different banks' decisions will, of course, depend upon the question whether the Imperial Bank intends paying adequate compensation, a thing very much doubted, as the right of issue of these banks will devolve on the Imperial Bank all the same some time or other. The old bank-notes under the value of 100 marks, which were to have been done away with before the new Bank Act is put into force, have been withdrawn to the amount of 320 million marks within the first half of the year. The total circulation of notes in Germany has, however, only decreased by 48 millions,

because notes above the amount of 100 marks have been circulated to a greater degree. During the second half of the year an amount of 310 million marks' worth of small notes still has to be withdrawn. The 25-thaler notes of the Prussian Bank will, from the 1st of September, be accepted nowhere except at the head establishment at Berlin, and after the last day of the year they will cease altogether to be current as money.

We need not multiply examples, however. Enough has been said to illustrate the general course of the great tidal wave of financial reform which seems to be sweeping over Christendom. The great laws which govern commerce and trade are urging this country as well as other nations to quit the treacherous ocean of irredeemable paper money, and seek the haven of specie payments. Were it possible for us to let political or other considerations tempt us to resist this movement, we should bring on our trade and commerce serious mischiefs. If we would revive trade, and restore life to our National industry, one of the most effective conditions of doing it is to aid, by every means in our power, a wise reform of the currency, and an early resumption of specie payments.

---

## THE USURY LAWS OF THE STATE OF NEW YORK.

BY DR. GEORGE MARSLAND.

A late decision of the N. Y. Northern District Court of the United States as to the Usury laws has attracted considerable attention. As yet we have no published report of the opinion. But the Court is said to have held that the National banks are exempt from the operation of the penalties of the State usury laws. The opinion was delivered by Judge Wallace, whose reputation stands very high. Whether the U. S. Supreme Court will take the same view may be doubted. The Legislature of this State, we trust, will be able next winter to agree upon some new usury law which shall terminate the mischievous confusion on this subject. As the law stands at present no one can tell precisely what the usury penalty of this State is. If the decision above mentioned is affirmed, the National banks are released from the heavy penalties denounced against usury by the laws of this State. What these penalties are we shall presently show. In their place a very light penalty is imposed, as will be seen from the following section from the National banking law:

"That every Association may take, receive, reserve, and charge on any loan or discount made, or upon any note, bill of exchange, or other evidence of debt, interest at the rate allowed by the laws of the State or Territory where the bank is located, and no more, except that where by the laws of any State a different rate is limited for banks of issue organized under State laws, the rates so limited shall be allowed for Associations organized in any such State under this act. And when no rate is fixed by the laws of the State or Territory, the bank may take, receive, reserve, or charge a rate not exceeding seven per centum, and such interest may be taken in advance, reckoning the days for which the note, bill or other evidence of debt has to run. And the knowingly

taking, receiving, reserving, or charging a rate of interest greater than aforesaid, shall be held and adjudged a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon. And in case a greater rate of interest has been paid, the person or persons paying the same, or their legal representatives, may recover back, in any action of debt, twice the amount of the interest thus paid, from the Association taking or receiving the same: *Provided*, That such action is commenced within two years from the time the usurious transaction occurred. But the purchase, discount, or sale of a *bona fide* bill of exchange, payable at another place than the place of such purchase, discount, or sale, at not more than the current rate of exchange for sight drafts in addition to the interest, shall not be considered as taking or receiving a greater rate of interest."

This statute enacts, first, that national banks shall be allowed the privilege of charging whatever rate of interest is established in the State or Territory in which they do business. When no rate is fixed by local statute 7 per cent. is to be charged. Secondly, the penalty for receiving more is only nominal, being simply a forfeiture of the interest demanded if payment is resisted, and a recovery of twice the amount if the interest has been paid and suit is brought by the borrower or his legal representatives. Every one knows that such a recovery of interest would not amount to enough to pay the costs of the suit. Hence the proposed remedy is inoperative and usury litigation is discouraged, especially as the principal of a usurious note is always collectable, though the note itself be tainted with usury. If Judge Wallace's view of the legislation is confirmed the beneficent provisions of the Congressional usury law will be applicable to the National banks of New York and other States. But this is not all. In 1870 a law was passed by the Legislature of this State, enacting that our State banks should be amenable to the same legal penalties for usury as applied to the National banks.

From this statement it will be seen that if Judge Wallace's decision stands, the State banks as well as the National banks of New York are relieved from the penalties of the State usury laws, while all the other lenders of money are still exposed to these severe, mischievous and antiquated penalties. The question is of great moment, then, whether the decision is likely to be sustained by the Supreme Court of the United States, where a case involving the same principle is expected to come up next term. As to this point there is room for doubt. On one side it is argued that, if Judge Wallace is wrong, he has erred in good company. The Supreme Court of Ohio, in *First National Bank v. Garlinghouse*, 22 Ohio St., 492; S. C., 10 Am. Rep., 751, held that National banks are not bound by the usury laws of a State; and the Supreme Court of Massachusetts, in *Central National Bank v. Pratt*, not only sustained the same doctrine, but held that the usury laws of New York do not apply to National banks. On the other side, however, there is a good deal to be said.

Before discussing this side of the question, we ought to examine the provisions of the usury laws of this State. In substance they are founded on the older laws of England, without the modifications which modern jurisprudence has devised to bring

the statutes into harmony with the spirit of the age, and with the exigencies of commerce and trade. Our usury law first appeared on the statute book of 1787. It was almost an exact copy of the English statute of 12 Anne, and declared void "all bonds, bills, notes, contracts, and assurances, whatsoever" made or taken on a usurious consideration. In 1830 notes and bills of exchange were exempted from the operation of this act; but in 1837 this exemption was repealed, and the receiving of usurious interest was made a crime, punishable by fine and imprisonment.

By the Revised Statutes, part iv, chapter 4, title 3, the receiving of more than 7 per cent. interest is a misdemeanor, punishable by a fine of one thousand dollars, and by six months' imprisonment. All courts of justice are required to give a special charge to the Grand Jury to inquire into any violations of the usury law. Any bond, or other evidence of debt, which is tainted by usury is void, and the Supreme Court is empowered to enjoin any prosecution thereon, and to order such notes, evidences of debt, or securities, to be surrendered and canceled. Any person charged with usury may be called as a witness to prove the usury, and may be also compelled to answer, on oath, in any equity suit for relief, or discovery, or both. Nor will any court of equity require, as in other cases, the payment of the alleged debt as a previous condition of granting relief to the borrower, when the litigation is about a usurious loan. Moreover; any man, who has paid more than 7 per cent., may recover personally, or by his representatives, the excess so paid above 7 per cent., provided he brings his suit within a year. And, if he do not prosecute within a year, then the whole sum paid may be sued for and recovered, with costs, "at any time within three years after the expiration of the year, by any overseer of the poor of the town where such payment may have been made, or by any county superintendent of the poor of the county" in which the transaction has been done and the usurious payment made.

We thus see that, under the law of the State of New York, usury voids the contract, forfeits both principal and interest, and subjects the party to six months' imprisonment and to one thousand dollars fine. The penalty of the National Currency law being much lighter, forfeiting only the interest, it would be a sort of protection to the National banks and the State banks to be thus shielded. The lower courts of this State, for several years after the passage of the National Bank Acts of 1863 and 1864, always ruled that the State laws against usury do not apply to the National banks, and the decisions, till 1872, were all in accordance with the late decision of Judge Wallace above referred to. In 1872, however, this uniform course of things was disturbed. The First National Bank of Whitehall sued the maker and indorser of a protested note. The defense set up was usury, in corruptly taking more than seven per cent. per annum for the loan of the money for which the note was given. The decision was in favor of the bank, and was appealed to the Grand Term, where it was affirmed. It was then carried up to the Court of

Appeals, by whom the judgment was reversed, and a new trial ordered, six of the seven judges concurring. The importance of this case, the prominence it is assuming, and the suggestive analysis of principles which is given in the opinion of the Court, render a short summary of it needful in this place. The decision was given by Judge Rapallo.

One of the fundamental principles on which the Court relied, was that the National banks are subject to the Federal law in respect only to their relations with the National Treasury as depositories, fiscal agents, and privileged functionaries, and not for their private dealings with third parties. In these the banks are held to be on the same footing with natural persons, and are subject to the laws of the State in which they carry on their business. The Bank Act does not place these corporations on any different footing from natural persons chosen by the Government, authorized to perform some special public function, and permitted, at the same time, to carry on a private business on their own account. In support of this view, the decisions of the Supreme Court of the United States is cited in the case of the *National Bank v. Commonwealth*, 9 Wall. 362, where it is said of National banks: "They are subject to the laws of the States, and are governed, in their daily course of business, far more by the laws of the State than of the Union. All their contracts are governed and construed by State laws. Their acquisition and transfer of property, their right to collect their debts, and their liability to be sued for debt, are all governed by State laws. It is only when a State law incapacitates them from discharging their duties to the Government that it becomes unconstitutional."

The effect of this is to divide the functions of the National banks into two distinct parts: (1) that concerned with the business of the Treasury, as fiscal agents or otherwise, and (2) that pertaining to their contracts with the public as banks of deposit and discount. In the former the acts of Congress override and exclude all other jurisdiction; in the latter those acts do not apply, but the banks are subject to the jurisdiction of the States. In conformity with this view, the Court cited the various sections of the National Currency law, which make the capital stock and real estate of the National banks liable to State taxation, and subject the corporations themselves to the jurisdiction of the State courts, and even to the visitatorial powers of the Courts of Chancery. From this fundamental principle, which underlies the whole banking law, and makes the banks liable to State jurisdiction, whenever their business with the Treasury does not absolutely demand exemption from such jurisdiction, the inference is drawn, that "none of the subordinate provisions of the act should be so construed as to exempt contracts made by these corporations from the operation of a particular State law, unless the intention to do so is so clearly apparent as to leave no room for doubt. If, by any reasonable construction, the provision now in question can be harmonized with the laws of the State, that construction should be adopted." Applying this principle to the interpretation of the

usury section of the National Bank law, our Court of Appeals give it a totally different meaning from that usually ascribed to it.

This section is given above and consists of four provisions, which have usually been construed together. The Court proposes to separate them. In the first, certain National banks, he argues, are put under State regulations relative to the rate of interest; and are separated from other banks which are in States having no such regulations fixing the rate of interest. These banks are provided for by the second and third provisions, which are quite distinct from the first, and are not to be construed with it at all. On this theory, the third or penal provision has no application to any banks in States having usury laws, and the penalty is not attempted to be prescribed in this section, except for banks in such States as have no usury laws and no fixed rate of interest. This new interpretation the Court defends by the argument, that to construe the National Currency law "as undertaking to remodel the usury laws of the States would, *besides other grave objections*, be inconsistent with the manifest purpose of the act to subject the banks to the local policy, on the subject of the interest of money, of these States where the interest was regulated by law."

With these facts before us, let us see what are the probabilities as to the final decision of the Supreme Court of the United States on the usury jurisdiction. And at the outset we must remember that the question before the Court is not which of the two rival statutes is the best usury law, nor whether that of the National Bank statute is worthy to supersede the State law. On this point almost all parties are agreed. We freely admit that the usury legislation of this State ought to be repealed, but this is a question of legislation with which the Supreme Court will have nothing to do. The only point they will consider is, what is really the effect of the existing legislation, State and National. It is easy to see, therefore, that the final decision of the Court will turn on one or two simple points. For example, they will have to decide whether the Federal Government is authorized, under the Constitution of the United States, to withdraw, and has actually withdrawn, from the jurisdiction of the State Governments, subjects which, like that of usury, have been under the unquestioned jurisdiction of the State Governments for more than a century, and were under that jurisdiction in unbroken succession before and since the Government, in its present form, was established. If this question be settled in the negative, then Judge Wallace's decision will be overthrown, and the decision of 1872 of the New York Court of Appeals will stand. In any case, our Legislature will lose no time, we hope, in repealing the obnoxious and useless penalty of the usury law.

As a specimen of sound legislation on this subject, we call the attention of our State Legislature to the usury law passed by Congress for the District of Columbia. This statute, with very little modification, might be adopted and incorporated in our State

legislation, as has been recently done in the State of Massachusetts, where the old usury laws have been superseded by a brief comprehensive enactment. The statute of the District of Columbia is as follows:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the rate of interest upon judgments or decrees, and upon the loan or forbearance of any money, goods, or things in action, shall continue to be six dollars upon one hundred dollars for one year, and after that rate for a greater or less sum, or for a longer or shorter time, except as hereinafter provided.

SEC. 2. *And be it further enacted,* That, in all contracts hereafter to be made, it shall be lawful for the parties to stipulate or agree, in writing, that the rate of ten per cent. per annum, or any less sum, of interest shall be taken and paid upon every one hundred dollars of money loaned, or in any manner due and owing from any person or corporation in this District.

SEC. 3. *And be it further enacted,* That if any person or corporation in this District shall contract to receive a greater rate of interest than ten per cent. upon any contract in writing, or six per cent. upon any verbal contract, such person or corporation shall forfeit the whole of said interest so contracted to be received, and shall be entitled only to recover the principal sum due to such person or corporation.

SEC. 4. *And be it further enacted,* That if any person or corporation within the District of Columbia shall, directly or indirectly, take or receive any greater amount of interest than is provided for in this act, upon any contract or agreement whatever, it shall be lawful for the person, or his personal representative, or the corporation paying the same, to sue for and recover all the interest paid upon any such contract or agreement from the person, or his personal representative, or from the corporation receiving such unlawful interest: *Provided,* That the suit to recover back such interest shall be brought within one year after such unlawful interest shall have been paid or taken.

SEC. 5. *And be it further enacted,* That nothing in this act contained shall be construed to change the general laws in force, in relation to banking associations, organized under the act to provide a National currency, secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof, approved June 3, 1864.

## ECONOMIC SKETCHES. No. 1.

### FROM A FINANCIER'S NOTE BOOK.

In a series of articles we purpose briefly to trace the history of political economy in the main features of its past development. Quesnay and Adam Smith were not the first inquirers into the causes of the wealth of nations. Doubtless in every age, in one way or another, the inhabitants of various countries have endeavored to ameliorate their physical or material condition, but they appear to have been wonderfully ignorant of the means for attaining the object. The Greeks, though not indifferent to riches, indulged far too much in æsthetic idleness, and were forever looking for help from the State. In their opinion the Government was bound to feed them, and the problem with their statesmen was how they could best enrich the people with the property of the State, then regarded as common property.



The Romans never thought of the advantage of promoting National wealth. For a long time they gave themselves wholly to wars and conquests, and when Augustus introduced order and civilization into the empire, all that the people sought was an abundant distribution of food. The Roman statesmen did not descend into the study of industrial details. The economic value of such details was not understood. After the fall of the Roman Empire, and during the disorder caused by the irruption of hordes of barbarians, no attempt was made to create or preserve wealth; but as the Italian cities, the birthplace of modern society, rose to wealth by their productive power, and grew rich by commerce and industry, the importance of manufactures and foreign trade began to dawn in the minds of political thinkers, and economic questions gradually rose nearer to their proper place in the estimation of the more enlightened statesmen and legislators of what may be called the *renaissance* period of financial and commercial science.

At the revival of civilization in Europe, no country was more favored as to commerce and manufactures than Italy. Barbarism had not wholly rooted up the culture of ancient Rome. A propitious climate and a fertile soil, even with an unskillful agriculture, furnished abundant sustenance for a numerous population. The more necessary arts and trades had no more disappeared than the old Roman municipalities. A productive coast fishery was a good school for seamen, and the navigation of an extended coast supplied, in a good degree, the want of better communications in the interior. The vicinity of Greece, Asia Minor and Egypt, and the facility of communication by sea with those countries, secured to Italy considerable advantages for the trade of the East, a trade which formerly, though upon a smaller scale, had been carried on through Russia and by a northern route. With these advantages, Italy became necessarily conversant with those arts and manufactures which Greece has saved from ancient civilization. From the emancipation of the Italian cities by Otho the Great, a truth of which history offers many proofs received fresh confirmation, that liberty and industry are inseparable companions, though it may happen that one is born before the other. Where commerce and industry appear, we may be sure that liberty is not far off; where liberty unfurls her flag, it proves a sure harbinger of industry. For it is in the nature of things, that men who have achieved the possession of material and moral benefits, seek guarantees for the transmission of these benefits to their posterity; so, after having enjoyed liberty, they exert themselves earnestly to improve their moral and material condition as the natural impulse of freedom. For the first time since the fall of the free cities of antiquity, the Italian cities gave to the world the spectacle of free and rich communities. Cities and countries united their efforts for mutual advantage, and were greatly aided in their progress by the Crusades. The transportation of the Crusaders and their supplies not only promoted navigation, but stimulated the establishment of profitable

commercial relations with the East, the introduction of new manufactures, new processes, new inventions, and the knowledge of new sources of enjoyment. On the other hand, the oppression of the feudal system was to some extent modified, to the great benefit of free agriculture, and to the marked advantage of the cities.

Previously even to Venice and Genoa, Florence won distinction by its trade and its manufactures, and by its operations in money and exchange. From the twelfth and thirteenth centuries its manufactures of silk and woollen goods were flourishing; the corporations which carried on those industries had their share in the government; the republic itself was formed under their influence. The woollen manufacture employed no less than 200 factories; 80,000 pieces of cloth, the raw material of which was imported from Spain, were manufactured there every year. Common cloths were also imported into Florence, to the annual value of 300,000 gold florins from Spain, France, Belgium and Germany, which, after being dressed in her factories, were sent to the East. Florence was the banker of all Italy, there being no less than 80 banks. The State had a yearly income of 300,000 golden florins (\$5,000,000), and was richer in moneyed wealth than the contemporary kingdoms of Naples and Arragon, and than Great Britain and Ireland at the time of Queen Elizabeth.

In the twelfth and thirteenth centuries Italy possessed all the elements of national prosperity. Her commerce and industry were greatly in advance of all other countries. Her agriculture and manufactures were models for imitation and emulation among other nations. Her roads and canals were the most perfect then existing in Europe. The civilized world is indebted to Italy for banks, for the compass, for improvements in naval construction, for bills of exchange, and for a multitude of valuable regulations and commercial laws, as well as for innumerable municipal and political institutions. Her merchant marine and her navy were by far the most considerable in the Southern seas. The trade of the world was in her hands. The later progress of commerce and business was still unimportant in the Northern seas, and as yet trade did not extend beyond the Mediterranean and Black Seas. Italy supplied all other countries with manufactured articles and superfluities as well as with tropical commodities, and received from them raw materials. She lacked only one thing to be what England became in later days, and in default of that one thing all the rest was lost; she lacked national unity, and the power which this unity gives. The cities and the lords of Italy did not regard themselves as members of one and the same body; they battled against and destroyed one another, as if they were independent powers. Besides those external contests, each commune was a prey to intestine struggles between democracy, aristocracy and monarchy. Those calamitous wars were stimulated, kept up and envenomed by the influence and the invasions of foreign powers, as well as by their domestic theocracy and its fulminations, which still divides each city into two hostile factions.

Italy achieved her own ruin; the history of her maritime power furnishes the evidence. From the eighth to the eleventh century Amalfi flourished in wealth and power. Her ships swarmed upon the seas, and her money circulated almost exclusively in Italy and in the East. The maritime code of Amalfi was in very high esteem, and, being regarded as among the best extant, it was adopted in all the ports of the Mediterranean. In the twelfth century this maritime power was destroyed by Pisa, which in turn fell beneath the power of Genoa, and Genoa, after a severe struggle, was compelled to yield to Venice.

The fall of Venice shows also an indirect consequence of this narrow policy. It were an easy task for a league of the maritime powers of Italy to have maintained Italian preponderance in Greece, in the Archipelago, in Asia Minor, and in Egypt. They might have enlarged and strengthened this ascendancy, arrested the progress of the Turks and their piracies, and disputed with the Portuguese the new route to the Indies by the Cape of Good Hope. But, in the actual circumstances, Venice was reduced to her unaided strength, and was paralyzed, not only by the other Italian States, but by the neighboring European powers. The best statesmen saw that a well-organized league of the Italian continental powers could defend the independence of Italy against the greatest monarchies of the time. The establishment of such a league was attempted in 1526, but in a moment of danger, and only for the purpose of temporary defense. The lukewarmness and treason of its members and its chiefs resulted in the growth of the Milanese, and the fall of the Tuscan republic. From that moment may be dated the decline of commerce and industry in Italy. Before as well as after that time Venice had aimed to be an independent nation. So long as she had to do only with the fragments of Italian nationality, or with defunct Greece, she could maintain, without serious trouble, her manufacturing and commercial supremacy along the shores of the Mediterranean and Black Seas. But when whole nations, full of vigor, appeared upon the political arena, it was discovered that Venice was but a city, and its government nothing more than a municipal aristocracy. Venice had indeed subjugated many islands and vast provinces, but she had always governed them as conquered countries; and each of her conquests, according to the testimony of history, had been a source of weakness and not of strength. The spirit to which Venice owed her grandeur had by the lapse of years been extinguished in the heart of the republic. Her power and her prosperity, the work of a patriotic and brave aristocracy, itself the product of an energetic democracy, jealous of its liberty, endured and increased, so long as this liberty retained its democratic energy, and so long as this energy was directed by the patriotism, wisdom and heroism of the aristocracy; but in proportion as the aristocracy degenerated into a despotic oligarchy, extinguishing all liberty, all popular energy, the roots of that power and that prosperity dried up, though the limbs and the top of the tree continued for a time to flourish.

"A nation in a state of servitude," says Montesquieu, "labors rather to preserve than to acquire. A free nation labors rather to acquire than to preserve." To this just remark he might have added: "And if a nation thinks only of preserving, and never of acquiring, they are overtaken by ruin;" for a community which does not advance retrogrades, and must finally perish. Very far from extending their trade and making new discoveries, the Venetians had not even the sagacity to take advantage of the discoveries of the others. Deprived of their old trade with the East when the passage of the Cape of Good Hope was opened, they scarce admitted, much less admired, the discovery. What everybody saw, they refused to believe. And when they began to suspect the fatal consequences of the change to be accomplished, they tried to maintain the old, instead of taking their share in the benefit of the new route; they employed miserable intrigues to preserve and to acquire what they could only obtain by enterprise and courage applied to the new circumstances in which they were placed. And when, finally, they had lost everything, when the riches of India flowed into Cadiz and Lisbon, and not into their port, they betook themselves, like idlers and spendthrifts, to alchemy, and to the vain search after the fabled philosopher's stone, which could transmute the baser metals into gold.

When the Republic of Venice was in a condition of progress and prosperity, an enrollment in the Golden Book was considered as a reward for eminent services in commerce, industry, government, or in war; this honor was accessible, upon these terms, to foreigners, the most distinguished of the silk manufacturers, who emigrated from Florence, having obtained that favor. But the book was shut when people began to regard public distinctions and the public revenue as the hereditary patrimony of the patricians. Later, when the necessity of restoring an effete and degenerate nobility was admitted, the book was again opened. Public services were no longer regarded as the principal titles to an inscription, but wealth and ancient origin. Under this policy the Golden Book fell into such discredit that it remained uselessly open for a century.

If we should interrogate history as to the causes of the fall of that republic and its trade, the answer would be that the principal causes were the folly, inactivity, and want of energy in a degenerate aristocracy, the apathy of a nation sunk into the condition of servitude. The trade and the manufactures of Venice must have perished, even if the route by the Cape of Good Hope had never been discovered.

The fall of Venice, as well as that of all the other Italian republics, is also explained by the want of national unity, by foreign preponderance, and by the establishment in Europe of vast, powerful, and compact nationalities.

If we study specially the commercial policy of Venice, we perceive at once that the policy of modern manufacturing and commercial nations is, upon a large scale, or in national propor-

tions, little else than the adoption of the Venetian policy. Maritime restrictions and import duties favored the ship-owners and manufacturers of the country; and we find that even then the rule prevailed of importing raw materials and exporting manufactured products.

It has been frequently asserted, in support of the principle of absolute free trade, that the fall of Venice was caused by commercial restrictions. This proposition contains a little truth mingled with much error. Whosoever studies without prejudice the history of that republic, will find that there, as in greater nations, international trade, whether with or without restrictions, has proved advantageous or injurious to public power and prosperity, according to the peculiar circumstances of the time.

Unfettered liberty of trade was the true policy of the republic in the first period of its elevation, for otherwise how could a hamlet of fishermen become a commercial emporium? If restrictions became advantageous to Venice, it was after she had obtained a certain degree of power and wealth; for by them she attained her manufacturing and commercial supremacy. Restrictions became injurious after she had reached this ascendancy; for they removed all rivalry between her citizens and those of foreign countries, and thus destroyed the stimulus to excellence and industry. It was therefore not the *establishment* of such restrictions, it was rather the abuse of them after they had ceased to be applicable, which was prejudicial to the Venetians.

Moreover, the selfish policy left out of view the great hereditary monarchies. Although maintaining rule over provinces and islands, Venice was still but an Italian city; she had encountered in her growth only other cities of Italy, and her exclusive commercial policy could only extend so long as it remained unchecked by more powerful nations. When this event began to be realized, Venice could only preserve her supremacy by placing herself at the head of the whole of Italy, and extending her commercial policy over the whole peninsula. It was not possible to maintain for a very long period any system embracing the commercial supremacy of a single city, however skillfully devised, as against all other nations.

The example of Venice, so far as it can be invoked against the selfish system, proves only this, neither more nor less, that an isolated city or a small State, as against great empires, cannot apply or maintain beneficially that system, and that a power having once, by the help of restrictions, attained manufacturing and commercial ascendancy, must return to the principle of free trade as soon as it becomes safe to do so.

We meet in this as in all discussions upon this subject of international free trade, a confusion of ideas, productive of grave mistakes. Commercial liberty is spoken of in the same terms as religious and civil liberty. The friends and champions of liberty in general, regarding themselves as the defenders of liberty under all its forms and names, rally to the defense of liberty of trade,

making no distinction between the liberty of domestic trade and that of international trade; both of which, in their essence and in their results, differ widely from each other. For if restraints upon internal trade are but in a very few cases compatible with individual liberty, the highest degree of individual liberty sometimes co-exists with heavy restrictions in foreign trade. It has even been contended that foreign commerce wholly free may lead to national servitude, as was illustrated in the history of Poland. In support of these principles, Montesquieu says: "It is in free countries that men engaged in foreign trade encounter innumerable obstacles; they are never less hampered by laws than in countries not free." Without discussing these theories, we conclude that the rise and fall of the Italian cities teaches us that wealth and power follow enterprise and industry, intelligence and freedom. As soon as the Italian republics ceased to surpass in these qualities the rest of Europe, the star of their ascendancy began to decline.

## REAL ESTATE AND THE CREDIT SYSTEM.

### THE LOAN AND SAVINGS SOCIETIES OF CANADA.

The report of these societies for 1874 has just been published. From the summary of this document in the *Monetary Times*, we find that in Ontario the societies held assets to the value of \$14,082,380, and in Quebec those societies which reported (only the societies of Ontario being compelled to do so) held assets of \$2,147,027. We thus see that an aggregate of \$16,229,407 is embarked in these companies in the two larger Provinces alone. In 1867, at the time of the union of the Provinces, the total assets of these Associations were less than \$4,500,000. The assets in 1870 were \$6,633,292; in 1871, \$8,392,957; in 1872, \$9,225,437; in 1873, \$10,954,482; and in 1874, \$16,229,407.

In 1873 there were returns from twenty-three different companies; last year (1874) the number which reported was thirty-three. Four new companies were organized in 1872, two in 1873, and one, "The *Credit Foncier* of Lower Canada," last year. The increase in their assets has been 144.75 per cent. during the five years mentioned. Of their liabilities, about \$11,000,000 are due to their own shareholders and only \$5,000,000 to the public, and the whole of their assets, except \$750,000, is invested in real estate, the value of which is \$35,000,000, or more than double the mortgages upon it. As a result of this prosperity and good management, the stock of the companies, for the most part, sells at high prices. That of the Canada Permanent commands 165, and the Freehold and Western Canada about 140.

According to the report, none of these Associations appear to have paid their shareholders less than eight per cent., whilst ten is a common dividend, and in one case 9 per cent., and a bonus of 3 per cent. additional, was paid.

The progress and present position of the Canadian Loan and Savings Societies would be best understood by a comparative statement, showing their position in 1872, 1873 and 1874. But, on account of the recent legislation, the official reports are made up this year somewhat differently from those of former years. We can only give, therefore, a detailed comparative statement of assets and liabilities for 1874:

#### LIABILITIES, 31 DECEMBER, 1874.

Capital stock.....	\$8,042,157	70
Accumulating stock.....	1,067,634	15
Reserved fund.....	1,336,462	45
Dividends declared and unpaid.....	291,949	03
Profit on accumulating stock.....	176,070	55
Contingent fund and unappropriated profits.....	160,542	20
<hr/>		
Liabilities to stockholders.....	\$11,074,816 08	
Deposits.....	4,614,812	82
Debentures payable in Canada.....	<hr/>	
“ “ elsewhere.....	19,992	78
Interest on deposits and debentures.....	147,352	92
Owing to banks.....	311,753	66
Other liabilities.....	60,679	71
<hr/>		
Liabilities to the public.....	5,154,591 89	
<hr/>		
Total.....	\$16,229,407 97	

Of the liabilities to shareholders, the portion due by Ontario companies is \$9,310,806, and for those of Quebec \$1,764,009, and of the amounts due the public, the proportion is \$4,771,573 to \$383,018; the number of companies which reported being twenty-five for Ontario and eight for the sister province. During the year the capital increased \$1,665,876, and the deposits from \$2,869,381 to \$4,614,812. This increase in deposits is the more noteworthy from the financial depression of the past year. The public favor which has attended these Associations is, perhaps, due in part to the higher rates of interest they offered for deposits.

The assets held by the companies were reported as follows:

#### ASSETS, 31 DECEMBER, 1874.

Loans on real estate.....	\$ 15,041,858	04
"    " Dominion, city, town, etc., security....	29,635	16
"    to shareholders on stock .....	311,346	76
"    otherwise secured.....	86,983	16
	<hr/>	
Loans in all.....		\$ 15,469,823 12
Real estate owned.....	124,260	58
Dominion and municipal security .....	115,387	00
School section securities .....	800	00
Office furniture.....	13,933	28
Cash on hand.....	38,454	15
Cash in banks.....	306,299	45
Other property .....	160,450	39
	<hr/>	
Property owned in all.....		\$ 759,584 85
		<hr/>
Total .....		\$ 16,229,407 97

## RAILROAD TRANSIT FROM THE MISSISSIPPI VALLEY TO THE SEA-BOARD.

One of the many problems that have been raised for solution on this continent during the recent railroad mania is that of opening, for the teeming products and growing business of the vast basin of the Mississippi, an easy communication with the Atlantic sea-board. Long before the successful extension of our railroad system this problem was recognized; and to the attempts to solve it is in part due the early development of the magnificent canal system of New York, Pennsylvania and the other States. To the same fruitful cause we owe the five or six great railway routes, which with their trunk lines form a connected net-work of 18,000 miles of railroad, and 20,000 miles of navigable water. In view of the prodigious activity of our interior production these vast earnings are not surprising. The rivers and railroads which carry on this commerce minister to the wants of ten millions of people, traversing the territory of sixteen rich, populous States, containing 1,000,000 square miles, and more than 200 towns and cities, of which, at least, twenty-five are important centers of financial and industrial growth, and have a population of 20,000 and upward. Even on the Upper Ohio alone the tonnage in steamers, barges and boats, surpasses the aggregate of the tonnage of New York, and the interior trade of the Ohio River is computed to exceed in value the whole foreign commerce of the United States. With this stupendous system of internal traffic increasing every year, it is no wonder that our through routes have more business than they can do, and to the great commercial highways now in existence we shall, no doubt, add others. The activity of railroad extension is even now agitating new projects.

A suggestive paper on this subject was lately read before the New York Cheap Transportation Association by Mr. Richard P. Morgan, Sr., one of the oldest of our civil engineers. The communication has the more value from the fact that the writer was one of the first projectors of the Hudson River Railroad. Some points in the address are worth placing on record. Mr. Morgan said that as cheap transportation had been generally discussed, he would only refer to such facts as had a direct bearing upon the construction, and prospects, and working of a railroad built on correct mechanical principles, and managed under a system better adapted to command the trade of the Far West. He said that his knowledge of the country bordering on the Mohawk and Hudson Valleys enabled him to lay before the Association some important facts which bore on the question of rendering New York's natural advantages available at the present time, and thus insuring the future of the city.



"Easy access to the great Western States originated," he said, "with the Erie Canal, whereby the Hudson River was connected with the lakes, and for a long period any diversion of the immense and rapidly increasing trade of the Mississippi Valley seemed impossible. The long winters, however, of this climate, by closing the navigation of the canal and lakes during half the year, have enabled railroads, even with all their imperfections and abuses, to place the other Atlantic cities nearly on the same footing as New York in relation to the internal commerce of the Western States; and as the center of the surplus productions of the Mississippi Valley has receded, the people have discovered that the Mississippi presents better opportunities for reducing the cost of transportation to the sea-board than do the railroad companies. By the improvements in the navigation of the Mississippi River now in contemplation, and for which the General Government have made a liberal appropriation, it is anticipated that tow-boats from St. Louis to New Orleans can convey a bushel of wheat for five cents, while the minimum price by railroad to Eastern sea-ports, even at the present time, when competition has had its full influence, is nearly three times as much. It is true that the natural center of business is 250 miles north of St. Louis, but it is the same distance west of Chicago.

"New York now is barely on a par with Philadelphia and Baltimore in railroad facilities, although these cities are separated from the Western States by huge mountains, crossed by these railroads over long grades of more than a hundred feet to the mile, and subject to crooked routes, with very objectionable curves. Heavy grades, however, when confined to only one section of a long railroad line, while elsewhere they are favorable, do not add so much to the cost of transportation as might be supposed, and with a saving of ninety miles in distance out of nine hundred, as is the case with Baltimore, there is a great compensation, particularly where competition exists only with railroads having numerous grades of forty or fifty feet in the mile, which is the case with all the principal through lines between Chicago and New York now in operation.

"It is, however, a remarkable fact, that a railroad can be located from the Mississippi River to New York, with no grades ascending eastward exceeding fifteen feet to the mile. On a grade of fifteen feet to the mile, a thirty-five ton engine, at the same cost, can haul forty-three loaded cars westward,—a natural advantage which can hardly be too highly appreciated. To arrive, however, at what is mechanically practicable in operating railroads, it is necessary to discriminate between the circumstances affecting an independent line extending from the center of Iowa to the city of New York, 1,200 miles in length, under the control of one corporation, and a line made up by several railroad companies, each having its particular local interests to sustain. The data usually quoted to determine the average cost of transportation on railroads are derived from reports of the expenses incurred on such roads with a mixed traffic of freight and passengers, and all the unavoidable irregularities of local business.

"On an extensive road like the one proposed, every train going eastward would have a maximum load corresponding with the power of the large engines employed. On the other hand, on ordinary railroads, trains do not average more than half the number of cars composing their maximum loads.

"The running expenses of a train of twenty-five cars carrying ten tons each, which can be drawn by engines of thirty-five tons over grades of forty feet to the mile, is fully estimated at \$25 for a hundred miles. On steel rails, with tracks exclusively for freight, moved at a speed not exceeding twelve miles an hour, the maintenance of way and all other collateral expenses, under good management, will not be more than the direct running expenses, and therefore the total cost of transporting 250 tons 100 miles, would be \$50, or \$500 from Chicago to New York, equal to \$2 a ton, or less than six cents for a bushel of wheat. These cars, however, as western-bound freight is only one-fourth of the tonnage going eastward, must return with seventy-five tons, so that the average load for the round trip would be only 156 tons, and the cost for sixty pounds of freight would be nearly ten cents. On a grade of fifteen feet to the mile, a thirty-five ton engine at the same cost can haul forty-three loaded cars, and the average load on the round trip would be 269 tons, instead of 156 tons on a forty-foot grade. Hence 269 tons can be carried 1,000 miles for \$500, and a bushel of wheat for 5½ cents.

"The expenses of handling sixty pounds of freight at the western termini ought not to exceed half a cent, therefore the total cost of transporting a bushel of wheat from Chicago to New York need not exceed six cents. The additional charges in establishing rates would, of course, depend on the amount of business and the distance over which the freight would be carried.

"There are no precise data from which the proposed road can be estimated, but with charges less than one-third of the ordinary prices it would be very large. Of the 50,000,000 bushels of wheat and corn annually shipped from the Mississippi Valley to New York and the Eastern States for home consumption, and the 74,000,000 bushels shipped to foreign countries, it is very certain that at least one-fourth of it would pass over the line in question. Thirty-one million bushels of grain, therefore, and an equal amount of other freight, would be shipped eastward, and one-fourth as much moved westward, or equal to 77,500,000 bushels as constituting the whole amount of freight exported from the country west of Chicago, and from the vicinity or surrounding country of one-fifth only of the 1,200 miles. Assuming that on the remaining four-fifths of the road an equal amount would be received, the total gross receipts at the same rates would be equal to 155,000,000 bushels of wheat, four cents profit would be paid, or \$6,200,000, and the total charge for the transportation of sixty pounds of freight from Chicago to New York would be ten cents. In addition, however, to \$6,200,000 net earnings on freight, \$3,100,000 from passengers must be taken into the account, being usually one-third of the whole earnings, making up a total of \$9,300,000."

From this estimate Mr. Morgan figured the net annual earnings of such a road to be seven per cent. interest, and a surplus of \$900,000, and said: "These remarkable results depend on no doubtful innovations, but on facts of daily experience. Steel rails have been satisfactorily tested, and the benefit of separating the freight and passenger traffics is universally acknowledged. There are, nevertheless, mechanical improvements quite practicable that promise a still further saving, and which, when well proved, may be made available; and it may, therefore, be interesting to allude to the notorious disproportion in the weight of empty cars and their loads under the present railroad system. An ordinary freight car is nearly as heavy as its full load, and eighty per cent. heavier than its average load. The usual weight of an empty car is 19,000 pounds. Its allotted full load 20,000 pounds. This error in construction originated in the necessity of guarding against the effects experienced on tracks not sufficiently ballasted, and of high velocities, inherent to badly managed railroads. It is asserted by intelligent car manufacturers that the dead or non-paying weight may be reduced from 19,000 to 12,000 pounds, when run upon well-built roads, and the speed invariably maintained below twelve or fifteen miles per hour. This would save \$1,344,000 per annum, and add the same amount to the earnings of the road."

After noticing the fact that a car had been built and was now running between Boston and Lowell that carried twice its own weight, Mr. Morgan said: "Economy is the key to railroad progress; there are other very great sources of economy in the construction and equipment of railroads which will be gradually developed. The construction of the proposed railroad, if well-conducted, has within itself every element of success. With an organization for the purpose, so constituted as to guarantee the faithful and honest disbursement of its capital, which I believe to be practicable, money subscribed will be well invested, and, purely for this object, its bonds would be unsurpassed as a perfect and permanent security."

We do not wish to suggest the probability that any notable enlargement of our railroad net-work is desirable, or likely for some time to come. The country must be content to recover from the excessive efforts of railroad construction, and from the financial exhaustion which these efforts have left behind them. In the year 1869, we built 4,953 miles of railroad; in 1870, 5,690; in 1871, 7,670; and in 1872, 6,167. Altogether, since the war, we have built 28,000 miles of railroad, or more than was constructed, during the same time, throughout the whole of Europe. The vast amount of floating capital, which has thus been converted into fixed forms, has depleted the money market, and crippled our national resources. Still the work of railroad extension is in a wholesome state of activity. Last year we built 1,940 miles of new railroad, and this year the amount will, in all probability, be large.

## THE SUEZ CANAL AND ITS RELATIONS TO COMMERCE.

In the United States we have numerous reasons for looking with interest on the progress of the Suez Canal. Not only is it disturbing the trade with India, but it is likely hereafter to make still more profound changes in the old routes of traffic with the Orient, for which trade we are competing by our Pacific railroads, and which has never ceased to enrich every nation that has contrived to share in its control. The annual meeting of the Suez Canal Company was held at Paris on the 29th July. It is now nineteen years since the concession of the Viceroy of Egypt, which organized the Company.

The receipts of the year were 26,726,144 francs; those of the first half-year of 1875, 16,010,060, or at the rate of over \$6,400,000 per annum. The expenses of the canal for repairs, &c., were 17,900,000 francs. This includes a reserve made as a fund (annually increasing) for the purchase of new working material and for future improvements. A larger dividend to the shareholders than the five per cent. now being paid would be practicable but for the heavy interests the Canal had to carry during the long years of opposition and delay, and which it still carries on its mortgages. A funding process is going on.

The annual receipts of the transit only have been since the opening :

<i>Years.</i>	<i>Francs.</i>		<i>Dollars.</i>
1870.....	5,159,327	.....	1,031,865
1871.....	8,993,732	.....	1,798,746
1872.....	16,407,591	.....	3,281,518
1873.....	22,897,319	.....	4,579,463
1874.....	24,859,383	.....	4,971,876

The movement from the Mediterranean to the Red Sea has been :

<i>Years.</i>	<i>Vessels.</i>		<i>Gross Tonnage.</i>
1870.....	486	.....	654,915
1871.....	765	.....	1,142,200
1872.....	1,082	.....	1,744,481
1873.....	2,173	.....	2,685,072
1874.....	2,264	.....	2,423,672

For the first half of the present year, 822 ships are reported with a gross tonnage of 1,546,060 tons. The net tonnage amounted to 436,609 in 1870, producing to the Company 5,048,944 francs; in 1874 it reached 1,631,640, producing 24,748,900 francs. The difficulty in keeping open a route so increasingly used by very large steamers cannot be small. Sir John Hawkins, once the consulting engineer of the Khedive, expressed the opinion that the

accumulation of silt against the western pier was not in the outset sufficiently provided against, through want of funds. Dredging had been required in 1874 in the outer harbor to the amount of 450,000 cubic metres. The west jetty here has received extension and repairs requiring more than 7,000 concrete blocks of not less than twenty tons each. Dredging through the harbor and the canal has been done to the amount of more than a million of cubic metres (the metre being  $1\frac{1}{3}$  of our yard). Some injured parts of the line have been walled with stone from the quarries of Ismailia and Suez, and the buoys are being replaced by those of more durable quality. The creation of the canal seems certainly to have necessitated the lengthening and deepening of the ships of the great companies using it. Several steamers have just been considerably lengthened. The Whamboa and the Atlanta have a draught of 7.32 metres and 7.39 metres. The canal was thrown open to international commerce in the month of December, 1869, since when, up to April 1st, 1875, 5,236 vessels made the transit, 2,863 passing through from the Mediterranean, and 2,373 from the Red Sea. The difference arose from colliers, which left Port Said, but proceeded no further than Ismailia.

Out of the 5,236 vessels passed, there were but 238 sailing vessels. This is due to the perilous navigation of the Red Sea, exposed to sudden squalls, while it abounds in dangerous coral reefs. During the first month of its operation but 10 vessels passed, but the first quarter of 1875 enumerates 455. The yearly number of vessels was in 1870, 489; in 1871, 763; in 1872, 1,082; in 1873, 1,173; and in 1874, 1,264. Great Britain was represented by 3,602 vessels; France, 416; Austria, 303; Italy, 254; Turkey, 131; Holland, 123; Egypt, 100; Germany, 95; Spain, 63; Russia, 36; Portugal, 22; Denmark, 17; Sweden, 15; the United States, 10; Belgium, 9; Greece, 7; Japan, 4; Burmah, 3; and Peru, Tunis, and Zanzibar, 1 each.

The small share accorded to the American flag is due, first, to the fact that our trade from the East is chiefly in teas, which England also still receives almost exclusively by clippers; secondly, the Pacific railroads convey a large portion of our imports from China via San Francisco, while small consignments of indigo and silk come to us via Suez and London in British bottoms.

The canal dues have been considerably modified since the opening in 1869. Up to 1st July, 1873, 10 francs per ton were charged on the ship's register tonnage, and the dues were reckoned on the British gross register tonnage thence to the 29th April, 1874. Since that date the dues have been brought back to the net tonnage, taking the new British register ton for a basis. To compensate the company for this "Moorson system" of measurement, an extra tax of 3 francs per ton has been granted it, to be charged up to the time the annual net tonnage shall have reached 2,200,000 tons, when the extra tax is to be reduced by half a franc, and so on half a franc for every 100,000 tons additional, till 2,600,000 tons per annum are reached, when the extra tax will cease to be

collected. This extra task does not apply to men-of-war and military transports, which pay 10 francs only, and the canal is extensively used for the transportation of troops. The number of soldiers forwarded by the various nations holding possessions in the East has been the following: Great Britain, 81,102 men; Turkey, 74,738; France, 30,213; Holland, 12,371; Spain, 5,698; Portugal, 2,247; total, 206,369. These troops have been principally forwarded on board of chartered transports, the number of men-of-war passed having been but 128. In the pilgrimage traffic is a valuable source of income.

During 1870 4,671 pilgrims traveled over this route; but there were 10,798 forwarded during the first quarter of 1875, against 10,483 in all the preceding year. The Company does not expect the number of pilgrims to exceed between 10,000 and 12,000 annually on an average.

The ordinary passenger traffic is reported as follows: 1869, 50 passengers; 1870, 5,844; 1871, 9,554; 1872, 9,896; 1873, 10,169; 1874, 16,573; January 1st to April 1st, 1875, 4,280; total, 56,366.

The aggregate of all classes of passengers through the canal for the year 1874 was over 73,000, and for the first half of the year 1875 nearly 48,000. Hence it appears that since the canal was opened it has carried 307,779 passengers.

The dividend earned for the shareholders is about 5 per cent. Two years ago the shares stood below 60, but they now range above 130, so that they are worth more than twice as much as in 1873.

---

## EXTENSION OF THE USE OF CHECKS.

### THE LONDON CHEQUE BANK.

In a former number of the *BANKER'S MAGAZINE* (see vol. viii, page 315) we gave some account of the Cheque Bank which had then been recently established in London. It has had more success than was anticipated. As we explained, it has a somewhat novel character, but the principles on which it is founded are evidently in harmony with the spirit of the age. Its chief feature is the sale of checks to its customers, in a form combining an ordinary check with those of a certificate of deposit or post-office money order. The Chairman of the Company, Mr. George Wodehouse Currie, at its general annual meeting, stated that the business had been moderately successful, but remarked: "The first year's working of a system so novel can only be considered as preliminary and tentative. Profit cannot be expected, and all we could hope to attain was to get our system widely known and recognized, and the nature of its advantages understood." He also made the following explanations of the method adopted by this institution, which is doubtless doing much to extend the use

of checks in England, though it is probably less adapted to this country:

"The Cheque Bank offers the means of paying the smallest sums by means of crossed cheques payable to order. These cheques not only prevent the risk of carrying gold and bank-notes about the person, and of keeping them in shops and in private dwellings, but they afford, by the indorsement of the person who receives them, a proof of payment, and by the counterfoil a ready and complete record of all transactions. But the advantages and the novelty of Cheque Bank cheques by no means stop at this point. We have not only provided the means of extending the advantages of payment by crossed cheques to small transactions, but we have provided what never existed before—an indefeasible instrument of currency, which, when completed at will by the signature of the holder, is received everywhere and by everybody as cash, even when the drawer is a stranger, wholly unknown. As no Cheque Bank cheque can be obtained from the Bank until the *maximum* amount for which it can be filled up, and which is stamped on its face, has been deposited, cheques on this bank differ from those on all others in this most important particular—that they are certain to be paid on presentation. No inquiry into the means or standing of the person who draws them is necessary; they can be taken in payment, and can pass from one hand to another, with the same confidence, because they have the same undoubted value, as a Bank of England note for the same amount.

"Another most important peculiarity of Cheque Bank cheques remains to be noticed. Ordinary cheques must be presented immediately, or as soon as possible, after they are received. If an ordinary cheque is not so presented in due course, as it is called, the responsibility and risk of non-payment fall on the holder. Although a balance sufficient to meet it may exist at the time of drawing in the hands of the banker, there is nothing to prevent its being drawn out shortly afterward by another cheque, and the only security to the holder lies in instant presentation. A Cheque Bank cheque, which necessarily represents an actual deposit of cash of an equivalent or a larger amount, may remain in circulation, may pass from hand to hand, or may be locked up in a drawer for any length of time, with the absolute certainty that, after no matter how long an interval, it must be paid when presented, because the money provided to meet it can only be withdrawn by the production of that identical instrument. As to the manner in which the funds so provided are employed, all the balances received by the Cheque Bank from its customers are employed in one way, and (subject to a permission to invest in the three per cent. securities of the British Government) in one way only. They are deposited with the bankers in London and the Provinces in relation with the Cheque Bank, and the interest paid by the bankers on these deposits, for which the Cheque Bank itself pays no interest, is the source of its profit. The Cheque Bank, by this restriction, limits itself to a very low rate of profit on its balances; but it not only provides absolute security, in so far as

that it is made to depend on the united solvency of the best banks in the kingdom, backed by the security of its own guaranty fund in three per cent. consols, but it provides against the possibility of danger from panic and from a run on it in times of distrust and difficulty. This, in a few words, is the system of the Cheque Bank. The soundness and utility of it are, I think, apparent, and it has been stamped by the cordial approval of some of the shrewdest thinkers in the country, and by the countenance and support of the Bank of England, and of a great number of leading bankers, many of whom were at first inclined to look upon it with hostility and suspicion. The Cheque Bank does not pretend to enter into competition with other existing banks. It is based on a new system, and, as it offers advantages hitherto unknown, it looks entirely to new and untried sources of profit. It looks forward to becoming a universal bank for small transactions, not only in London and the country, but abroad and all over the world. If it had been opened with branches everywhere, the expense would have been so enormous as to have deferred indefinitely any hope of profit, but by the course adopted it has agencies all over the country in the existing banks. Of these banks, 984, including branches, receive and hold money on our account, while a number of them, constantly increasing, act still more directly as our agents, by holding our cheque-books to sell for immediate delivery."

As hinted above, the principle of the Cheque Bank is less adapted to the wants of this country than to those of European nations. There are many reasons for this. Among them, we may mention the much greater development which has been given to the use of ordinary bank checks in the United States. Probably there is no one point in which a greater contrast is offered between the development of our system of banking and of the English, German and French systems, than this of the more rapid growth of the use of checks. We use checks so freely in our payments, all over the country, and we have been so long accustomed to their use, that it is hard for many of us to realize the fact that, in France, Germany, and even in England, outside of London, the check system, until a late period, was in a very crude and imperfectly developed condition.

Another reason is connected with the large volume of bank-notes which have always been employed in this country. The bank-note circulation of Great Britain is much smaller, in proportion to the volume of the business done, than that of the United States, or, indeed, of any country in Continental Europe. Such facilities for economizing currency as are supplied by the English Cheque Bank, would be less likely to be popular in those countries than in England. By parity of reasoning, the Cheque Bank system would be still less likely to succeed in this country. The wants which it aims to meet have been already supplied by the greater expansion of our banking system, whose development, on the mercantile side, has long been more active than that of the chief systems of European banking.



## THE FOREIGN EXCHANGES.

In the recent discussions in regard to resumption we have heard a great deal about the foreign exchanges, and some of our readers may wish to know more about them. We give the following explanatory extract from Goschen's "Foreign Exchanges," which is the best work on this subject in our language. In this country our foreign commerce amounts to some 1,200 millions of dollars a year, or nearly four millions a day. To carry on this commerce a vast amount of bills are needful, and the management of these bills constitutes a large part of the transactions which are in view when we speak of the foreign exchanges. Besides this class of bills there are bills drawn against securities, of which a larger amount are passing across the Atlantic just now than for some time past. Probably, on an average, 8 to 12 millions of dollars of bills at least are created each day by our foreign exchanges, as the movement of the same goods often gives rise to two or more bills of exchange. The following are Mr. Goschen's remarks in the first chapter of the book above referred to:

The phrase "Foreign Exchanges" is in itself vague and ambiguous, being more frequently used to express the rates at which the exchanges in question are effected than the exchanges themselves—the prices rather than the transactions. When it is said in technical phraseology that the exchanges are rising or falling, or that the exchanges are at specie point, allusion is made to the fluctuations in the terms on which bargains are made between buyers and sellers of foreign bills. However, before we treat the subject in this sense of the phrase—that is to say, as denoting the rates at which exchanges take place—it is necessary to examine the subject-matter of the exchange itself, and to realize distinctly what it is that is bought or sold, transferred or given in exchange. When the transaction takes a practical form, foreign bills—that is to say, bills on foreign countries—constitute this subject-matter, but a less technical explanation can be given. That which forms the subject of exchange is a debt owing by a foreigner and payable in his own country, which is transferred by the creditor or claimant for a certain sum of money to a third person, who desires to receive money in that foreign country, probably in order to assign it over to a fourth person in the same place, to whom he in his turn may be indebted. The operation which takes place is put very clearly by Mr. Mill in the following passage:—

"A merchant in England, A, has exported English commodities, consigning them to his correspondent, B, in France. Another merchant in France, C, has exported French commodities, suppose of equivalent value, to a merchant, D, in England. It

is evidently unnecessary that B in France should send money to A in England, and that D in England should send an equal sum of money to C in France. The one debt may be applied to the payment of the other, and the double cost and risk of carriage be thus saved. A draws a bill on B for the amount which B owes to him; D, having an equal amount to pay in France, buys this bill from A and sends it to C, who, at the expiration of the number of days which the bill has to run, presents it to B for payment. Thus the debt due from France to England, and the debt due from England to France, are both paid without sending an ounce of gold or silver from one country to the other."

This explanation, however, involves the idea of the transaction being carried out by the instrumentality of an actual bill of exchange, which, at the present stage of the inquiry, it is better to ignore altogether. It will be found more convenient to treat the transaction, in the first instance, as a simple exchange of debts and claims, without considering the instruments by which it is accomplished. In its most general form the case may be stated as follows:—

As the result of international commerce, a certain portion of the community has become indebted to merchants in foreign countries; and in order to save trouble, risk, and expense of sending coin, it seeks out another portion of the community to whom a similar amount is owing by the identical foreign countries in question, and buying up these debts, assigns them over in payment to its own foreign creditors. And if the aggregate sums owing by any two countries to each other were absolutely equal—that is to say, equal in amount, coincident as to the period fixed for settlement, and payable, too, in an equal or identical currency—there would be no difficulty of any kind in determining the equivalent which the purchasers of such claims would pay to the sellers. It would simply be a sum equal to, or rather identical with, that which is payable abroad under the transferred claims. The amount held by the sellers and required, too, at the same time, there would be no cause in operation to vary the price, and there would be no fluctuations in the rates of foreign exchanges. In technical language, they would always remain at par. But, conversely, we arrive at the point which forms the essence of the present discussion; the fluctuations which actually take place in the foreign exchanges are at once the necessary result and the certain index of the inequalities which exist in the indebtedness of different countries, inequalities either in the amount of their liabilities or in the time within which payment must be made, or in the relation of the currency of one country to that of another.

It might have seemed easier to have explained the exchanges in question as exchanges between different currencies, as of sovereigns against francs, or of florins against dollars; the more so, as practically this is the shape which actual transactions generally assume. But if the definition had been thus limited, a most important, and indeed essential feature would have been over-

looked; that is to say, that though one system of coinage were adopted for all countries, claims on foreign countries would nevertheless vary in price, and would still be either at a premium or at a discount, according as there happened to be at any moment a greater or less demand on the part of such as desired to transmit funds abroad as compared with the supply offered by such as had outstandings abroad which they were entitled to draw in. For this is the first cause of what is generally spoken of as the rise and fall of foreign exchanges.

On some particular day, or through a given season, a large amount is required to be sent abroad in payment of debts; England, let us say, is heavily indebted to France, and the time has arrived for payment. At this time, however, it happens that in the opposite branch of trade, that which results in France being indebted to England, fewer transactions have taken place, and thus there are comparatively few who have amounts standing to their credit in Paris which they might transfer to those who have to remit; in other words, adopting the language of merchants, there are few who have bills upon France. The consequence is, that there is great competition for these few bills; those who do not bid high enough for them will either have to go through all the trouble of packing, insuring, and dispatching gold, or else will not punctually meet their engagements. Thus, those who have the bills to sell are able to obtain more than the actual par value for them. In consideration of their having a given sum already at a spot where it is required by another, and whither the latter must convey it himself at some expense if they do not cede it to him, they are able to secure for themselves the whole of the benefit, which, if the exchanges were at par (that is to say, if the indebtedness of the two countries were equal), would be divided between the buyer and the seller. Instead of the arrangement being a mutual convenience, the seller is able, by the competition of the buyer, to secure the whole convenience to himself.

Supply and demand, in their usual form, determine the transaction at this stage. Bills on France, in the case just put, would be at a premium. In the opposite case, if there were more persons who had money to claim from France than those who required to send funds thither, bills on France would be at a discount. These are the first and most elementary instances of fluctuations in the foreign exchanges; and for the purpose of appreciating clearly what is their real nature and origin, it is important to discard in the first instance all the accessory circumstances, and to hold fast to the general principle that what is really given in exchange in the natural and simple transactions from which all others are derived, is a sum of money at one place for an equivalent sum of money at another. By way of anticipation it might, however, be stated here that, in contradistinction to this simplest transaction, the most complicated would be one in which the sum of money given would be payable immediately, the equivalent recoverable three months later; the sum

given be in gold, the equivalent in silver; the sum given be perfectly undoubted, being paid down at once; the equivalent be of doubtful character, because involving a lengthened credit. To establish the equality between the two sums, it would accordingly be necessary to take into account the relative value at the time of gold to silver, the amount of interest which would be lost by waiting three months, and the amount of risk which would be run by receiving a piece of paper representing a promise to pay three months hence in exchange for cash paid down. These are all considerations which affect the exchanges, and which indeed render the subject so complicated that the ground-work may easily be lost sight of. Discussions are sometimes held on the state of the foreign exchanges, in which attention is paid mainly to the value of money in different countries, the amount of bullion held by each, and to the relative position of their paper currency—points, no doubt, of the highest moment in influencing the fluctuations in the exchanges, but, nevertheless, subordinate to the question of relative indebtedness, which remains the first and most material element. In studying the subject as a whole, it is above all things necessary to form a clear view of what is meant by international indebtedness, of the elements of which it is constituted, and the various phenomena which it presents. As soon as this elementary question, which underlies the whole theory of foreign exchanges, is properly understood, and an idea has been gained of the various modes in which countries become indebted to one another, we can proceed to consider the form which this indebtedness assumes when the time of settlement arrives, and when the floating debt is fixed in bills of exchange. The course of the discussion will then naturally lead to the nature and form of these bills of exchange, to their purchase and sale, to the various influences which determine their price, to their frequent fluctuations, to the meaning and force of the usual phrase, that the foreign exchanges are favorable or adverse, and to the value of the state of the exchanges as an index of international transactions. We shall first consider the debts themselves, and shall find them finally represented by, and embodied in, a constant mass of bills of exchange; it will then be necessary to inquire whether these bills are payable at once, or at fixed future terms; whether they represent a final transaction or whether a portion only of a commercial operation, and how the rate of interest, the credit of the debtors, the indulgence of the creditors, the depreciation of the currency in which the bills are payable, affect their exchangeability. We shall examine what circumstances lead to a demand for bills on foreign countries, and how it is possible to check or intensify that demand. Thus, at the close of our investigation, we shall light on many of the most important questions which have lately been ventilated in monetary circles—as to the effect of a high rate of interest in checking the efflux of gold, as to the power which foreign capitalists, holders of bills of exchange on England, may exert over our money market, as to the result

of these bills being all forced upon the money market for discount at once, instead of being gradually encashed as they mature, and other matters of this nature,—questions which are by no means theoretical or abstract, but of vital and practical importance to every one engaged in mercantile pursuits.

The first element which we have to consider in discussing the foreign exchanges is to be found, as has been already stated, in international indebtedness; the exchanges in question are exchanges of claims or debts, and an inquiry into the origin and nature of these debts will throw considerable light upon the subject.

It is an error often committed to imagine these debts to be incurred simply by the importation of foreign commodities, and to look on the balance of trade as a mere question of import and export, as being the excess of the one over the other. It is necessary to look closer into the transactions between two countries before an idea can be formed of the position of their mutual indebtedness.

- It will be discovered to result not so much from the exchange of their respective produce as from the relative totals of all the amounts expended by each upon the other, whether in payment of produce and manufactures, or for the purchase of shares and public securities, or for the settlement of profits, commissions, or tribute of any kind, or for the discharge of the expenses incurred in foreign residence or travel; in fact, from the entire payments (or promises to pay) which pass between the respective countries. The idea of actual borrowing must be lost sight of; it is the liability incurred with which we are now concerned; and this liability is identical in its effect, whatever its origin may be.

Payments which have to be made by one country to another for any purpose whatsoever, have the same effect as payments for direct importations. Thus it is possible that the general indebtedness of two countries to each other may be almost balanced, though the one imports far more commodities from the other than those which it supplies in return. For instance, the excess may amount to three millions sterling; but the nation which, through this class of transactions, has thus become a creditor for the excess of three millions, may dispose of one million thereof in making remittances to such of its body as have taken up their residence in the other country, or have been traveling and spending money abroad; and another million may be sent to the country which has imported the excess, in order to buy up public securities; and supposing this latter country to be a great shipping nation, another million may be due to it for freights. Thus the equilibrium between the two countries would be restored, and there would be no adverse balance on either side; the indebtedness would be equal.

---

## FORGED AND ALTERED NEGOTIABLE PAPER.

Every year increases the amount of the securities and other paper evidences of debt, the transfer of which makes up so large a part of modern banking commerce and trade. The enormous expansion due to our war and to the paper money system which it brought in its train, has given rise to a multitude of facilities for fabricating forged or altered instruments of credit. Hence our law courts are constantly occupied with cases involving the rights and obligations arising out of bills or notes which have been forged, altered, or otherwise tampered with. These cases are, many of them, of great interest to our bankers and merchants, by whom the simple and obvious principles that have been settled in the law of negotiable paper should be studied until they become perfectly familiar. Our purpose in this paper is to throw out some hints and to lay down a few suggestive rules, which will assist our younger readers in the task of making themselves competent, as every young banker should be, to read intelligently and usefully the reports of such cases as we have above referred to.

The suits on forged or altered paper come before the courts in two forms. They arise either in actions brought by the holders of such paper against parties who are alleged to be liable on the paper, or in actions brought to recover money paid by one party to another, on forged or altered paper, under a mutual mistake of fact; the one party at the time supposing facts to exist that make him liable to pay, and the other party at the time supposing facts to exist which entitle him to receive, the amount paid. This action to recover money paid under a mutual mistake was, in its early existence, a kind of equitable or merciful innovation on the harsh and technical rules of the common law. And as it was an innovation, there was not always strict uniformity in the principles under which it was applied. When the courts came to allow recoveries of money paid under such mutual mistake, on negotiable paper, they came immediately into a supposed conflict with their imagined duty of holding negotiable paper to be at all times, and under all circumstances, a kind of sacred, inviolable thing. There grew up, consequently, some confusions and contradictions in the law as to forged and altered paper, and especially in the law as to allowing a recovery of money paid on such forged or altered paper, when both parties, the party paying and the party receiving, supposed it to be genuine. In examining the principles of this branch of the law, it will be well to attend to one or two points in the elementary definitions of bills, notes and checks.

The *Note* is the promise to pay, not only to some one party named, but according to Kent,\* "to his order, *or assigns*, or to

\* 3 Kent, Comm. 77.

bearer." And, without any discussion on the origin of the law on this point, there is, on such a note, a right of action in favor of the owner or holder, in his own name, against the maker, whether such owner or holder be, or be not, the original party named as payee of the note.

The *Bill* is simply a request of the drawer made to the drawee, to pay a certain amount of money to a certain party, or his order, or assigns, or to bearer; and when the drawee accepts it, he makes the paper his promise to pay, according to the terms of the bill, and becomes, for most purposes, the original maker of a note.

The *Check* is, for most purposes, merely a bill. Each is, in theory, drawn against funds of the drawer. Each is an order or request to pay a certain amount of money from these funds. Each may alike be negotiable; and, without considering here in what manner a certification can be made, or, in the cases of banks, what officers have power to certify, it may here be stated in general terms that certification of a check is, to most intents and purposes, equivalent to the acceptance of a bill of exchange; that is, it is a *promise to pay* the check, according to its terms.

With regard to the practice of certifying checks, it is older, we believe, in this country than abroad. We are not able to say how long the practice of certifying checks has been common in the United States. In New York the banks claim to have been the first to adopt the practice. Prior to the War, however, the certification of checks was carried on to a much more limited extent than since that period. The special questions which have been raised in regard to certified checks have been frequently discussed in our columns. At present we are only interested in the general rules which are applicable to all forged and altered paper. These rules are expounded, with some care and elaboration, in a recent number of the *Law Review*, which is well worthy of careful study. These rules are laid down by our contemporary as follows:

I. A party claiming under a forged title, *i. e.*, a forged indorsement, can in no case recover on the paper, or retain a payment received on it.

II. No party is liable on paper that has been, after his name has been put on paper, altered in any material point.

III. A party is liable on paper that has been, before his name has been put on the paper, altered in a material point, to any party who thereafter takes title to it for value in good faith.

IV. A party paying altered or forged paper can in no case recover the payment where he was liable in suit if the payment had not been made.

V. A party paying altered or forged paper can in all cases recover the payment where he was not liable in suit, the payment not having been made, provided the party receiving the payment has not in the mean time suffered damage in consequence of the payment.

## OLD AND NEW FLUCTUATIONS IN GOLD.

## No. I.

Three hundred years before the gold discoveries of California, the commercial world was revolutionized by a like discovery in the Southern part of this Continent. In the year 1545 the mines of the Cerro de Potosi were made known to Europe. According to the account of Herrera, the discovery was owing to an Indian hunter, Diego Hualca, who in pulling up a shrub observed filaments of pure silver about the roots. On examination the mass was found to be enormous, and a very great part of the population was thereby drawn to the spot and employed in extracting the metal. A city soon sprung up, though in a district of unusual sterility. The mountain was perforated on all sides, and the produce in a few of the first years exceeded whatever has been recorded of the richest mines in the world. There are great doubts of what was the real quantity of treasure actually brought into existence from Potosi in the first ten years after the discovery. Humboldt, who examined the matter with his usual diligence and acuteness, says: "The books of accounts preserved in the archives of the provincial Treasury of Potosi go back no further than the year 1556; but it is very reasonably believed that the first years which followed the discovery of the veins were the most productive in riches." Although the actual amount in the first ten years must be a matter of doubt, yet some judgment may be formed from the succeeding twenty-three years, from 1556 to 1578, of which the accounts have every appearance of veracity. The Emperor Charles the Fifth granted to his celebrated Secretary of State, Don Francisco Tomas de los Cobos, for two lives, a maravedi on each marc of silver raised in Potosi. This gave rise to the tax afterwards imposed, of a fifth of the produce. The account of the Cobos, the impost having taken the name of the person in whose favor it was first granted, from the years 1556 to 1578, gives, as the amount of the tax, 9,802,257 pesos, and consequently the treasure produced must have amounted to 49,011,285 pesos or dollars, or annually to 2,130,925 pesos, or about \$ 2,200,000.

Sandoval, Ulloa, and Solarzano, all of whom are quoted by Humboldt, would lead us to suppose that Potosi, in the earlier years of its working, yielded much more than is here estimated, but whoever has paid much attention to the more ancient Spanish writers, especially when they speak in round numbers, will receive their relations with considerable hesitation. There are some considerations which would lead to a doubt whether Potosi produced, in the first ten years of its being worked, so large a quantity of silver as in the years that followed after 1556. The Indians who



had been compelled to perform the labor must have been unaccustomed to it, and would require time to gain the habit of working with effective expedition. The method of extracting the silver by the process of amalgamation had not been introduced, as it was not discovered in Mexico, from whence it was carried to Peru, till the year 1557; and the mines of mercury in Guancavelica had not then been opened, and till they were, the amalgamation process could not have been used. As the miners of Potosi could only obtain the silver by smelting, and as fuel was not to be procured near the Cerro, a difficulty would present itself which could not be overcome so completely as it must afterwards have been, when the practice of amalgamation was introduced.

The feeling of confidence in Humboldt is so much increased by every examination of his statements, that any slight difference from his representations seems to require an apology. The differences, however, do not greatly affect the view now taken of the subject, in this case extending over a period of ten years out of fifty-five; they would not have been noticed if it had not arisen from a more attentive examination of the accessible documents than the proportion which it bears to the whole view would have induced.

Humboldt procured correct returns of the amount of the Cobos at Potosi, from the year 1579, to 1789, from which he has calculated the quantity of money procured in those years in a manner deserving the highest confidence. At present we have only to do with the years from 1579 to 1600. This appears in the twenty-one years to have amounted to 29,185,990 pesos, or 1,389,859 annually, being equivalent to about \$1,400,000 on the average.

We have thus examined the statement of the Cerro de Potosi with more minuteness than will be necessary to apply to other mining districts, on account of the long and extensive fame which that mountain has enjoyed, and to reduce, as far as can be done, to accurate figures the extravagant representations to which we have all been accustomed from our childhood. Besides those mines in Peru which have been already noticed in the period immediately following the discovery, and which continued in activity during this second period, some others were opened, though upon a small scale, at Huantajayo and Porco, within that viceroyalty. Chili, in this period, came into the possession of the Spaniards, and the products of that district, chiefly consisting of gold, augmented the supply. Antioquia, as well as Choco, furnished some gold as early as 1539, and continued to do so from the time of the conquest to a late period. The greatest produce of gold and silver even in that day was from the Mexican mines; some of the most rich were in this period in a state of activity, though far inferior in the quantity they yielded, to the point they had reached in the course of the two following centuries, when the supply of quicksilver became more abundant and was more extensively employed in the process of amalgamation. Brazil in the hands of the Portuguese, at the same time, had employed the natives and

some negro slaves in washing for gold; the quantity thus procured cannot be accurately ascertained. There is only the statement of Raynal on the subject, and none of his accounts are entitled to credit unless supported by some better authority, which in this case he has not furnished.

In the estimation of the quantity of gold and silver added to the previous stock, which in 1546 has been already calculated at about 50 millions sterling, we may venture to consider the annual supply on the average of the period to have nearly approached to 10 millions of piastres or dollars, or about \$10,000,500. This is so near to what Humboldt has reckoned it, that there seems no necessity of entering further into the cause of the variation.

The miners in Europe were excited by the successful operations in America to greater exertions, especially those in the Pyrenees and in several parts of Languedoc, and it may be concluded from various representations that the annual supply from the ancient continent had amounted to about \$750,000.

We thus assume that the aggregate additions of fifty-four years were at the annual rate of \$11,250,000, or that in the whole term the amount of \$605,000,000 had been produced, to which the 250 millions before in existence being added, would give as the quantity in the year 1600 about 750 millions of dollars of our money.

The process of consumption would, however, be going on, and operate on the whole amount. There seems no reason in estimating the gradual diminution in this period at a different rate from what has been before assumed. We continue, therefore, to calculate that one part in 360 was annually consumed, or one-tenth part in thirty-six years. On these principles the diminution on the 250 millions in existence in 1546 would reduce them in fifty-four years to \$213,750,000. The same gradual loss would be suffered on the 605 millions, but that can only be taken as the operation of the mean term of years, or of twenty-seven years. This diminution would thus amount to about 45 millions, and the result at which we arrive would be that at the end of the year 1599 the stock of gold and silver actually in existence amounted to about 775 millions; or, as it may be stated in round numbers, at nearly five times as much as was in the possession of mankind in 1492, when America first became known to the Europeans. It would be of great advantage to the purpose of this inquiry to ascertain in the period under consideration what proportion of the gold and silver obtained was applied to conversion into coin, and what to the fabrication of articles of utility, magnificence, or luxury. Instead, however, of attempting to hazard conjectures on so obscure a subject, we must be content with such general observations as the aspect of the several countries of Europe presents on looking at their modes of thinking, and their manners and habits. The Spaniards, into whose possession the first harvest of the mineral treasures of America passed, were as a nation most intensely imbued with religious feelings. Whatever description may be given

to the Christianity that had formerly prevailed in Spain, it had in the contest of seven centuries with the Moors who were settled among them, and who possessed the most beautiful and fertile portions of their country, been changed into a chivalric feeling, having little connection with the common duties of life, but exciting them to bold achievements, to the endurance of severe privations, and to a strenuous exertion in such enterprises as could inflict injury on the Mahometan unbelievers.

The irruptions of the Mahometans into the districts around them rendered the treasures of the churches insecure, till the final conquest of that race had produced internal tranquillity at the moment when the gold and silver of America reached the country. Whoever has read the histories of the early invaders of America must have remarked how profuse Columbus and his followers were in vows of presenting such offerings, and will readily believe that many of such vows were duly performed. Several of the most magnificent and costly cathedrals of Spain owe their construction to the zeal of the period, whilst others of more ancient date received images, crucifixes, pattins, chalices, and other vessels, in the room of such as had been seized by the Moors, or as means for repelling or subduing the unbelievers. The domestic peace which Spain enjoyed from the time of the conquest of Granada must have tended to increase the mineral treasures which the Church drew to itself, and no strong motives presented themselves to cause any abstraction of those treasures.

In Italy, also, much had been appropriated to similar purposes in Rome, as well as in other cities; but the frequent wars of which it was the theater probably tended to withdraw much of it from sacred purposes, and to convert it into the more current form of money. We have already noticed the treasure seized by the army of Bourbon in Rome, and we may easily believe that the soldiers of the Catholic emperor would not hesitate to apply the same rapacity to the other Catholic churches. The progress of the Reformation in the north of Europe had lessened what little disposition had existed of a profuse expenditure in decorating the churches. The inhabitants had never indulged in those feelings of chivalrous religion which were the characteristics of the natives of Spain; and though they built costly cathedrals and monasteries, either from their want of the same kind of enthusiasm, or from their poverty, they were much less furnished with gold and silver utensils and ornaments than similar establishments in the peninsula.

A considerable progress, however, appears to have been made in this period in the application of the precious metals to articles of domestic ornament and accommodation. The rich burghers of Antwerp, Ghent, and the other cities of Flanders, are stated by Guicciardini to have had their houses furnished with many vessels of massive plate. We find Hollingshed, when speaking of the increase of luxury in England, after noticing the introduction of pillows and censuring it as effeminate, complains of "the exchange

of treene platters (or trenchers) for pewter plates, and of wooden spoons for those made of silver."

Many of our English nobility in this age had large stocks of plate, especially the Earls of Leicester and Derby, who displayed their magnificence in their several entertainments to Queen Elizabeth. It appears that Burleigh possessed a large quantity of plate. It is doubtful if it was of the value of \$70,000, but the probability is in favor of the larger sum. Such stores would, however, be in the possession of a very few individuals, and the whole could not produce a very great effect on the mass of gold and silver which had been afforded by the mines of America in the century.

Whatever it may have amounted to, it must have frequently passed from the form of utensils to that of coin; for as there was no tax on the silver goods, and as the fashion was of little cost, it would be worth no more than its weight as bullion; and it appears by the will of Burleigh, that in the bequests of his plate to his family he specifies only the number of ounces to be given to the legatees, and appoints a goldsmith to see it weighed out to them without making any distinction of the pieces.

During the period we are now viewing, a course of events commenced in the commerce of the world which had a great influence on the precious metals. The route to India by the Cape of Good Hope, which the Portuguese had discovered, induced other nations to follow in their steps. As silver was found the most ready and beneficial article to exchange for the commodities of the East, a great transfer took place of that substance between the European and the Asiatic world. This did not affect the quantity produced, but changed the locality of it. In that change, however, it seems more than probable that a large portion of the silver which passed to the East was abstracted from the use of it as money, and applied to purposes of magnificence and splendor.

From all we can learn of the ancient history of India, we are warranted in concluding that at the court of the Great Mogul, and among the numerous feudal sovereigns who ruled in that country, luxury in the use of gold and silver ornaments was carried to a much higher point than in Europe in that time, and, indeed beyond what is indulged in either in Europe or Asia in the present day. In India, as well as in the extensive empire of China, at all times the difference between gold and silver in coin and in utensils was very slight. It has been the general practice to pass the precious metals from hand to hand by weight, only first ascertaining the purity of the metals by the trials of the shroffs, who have been always skillful in assaying.

In the eastern part of Asia the Turks had become a more settled people than in the former centuries. Their government, which had been suffered to rest after the annoyances of the Crusades, assumed more magnificence and allowed to the people more leisure to follow profitable pursuits. Their exports drew from Western Europe annual supplies of gold and silver, and the Sultan

and his great officers accumulated in their palaces some portions of these metals, and applied them to ornamental or useful domestic purposes. From the compendious nature of the metals, and from the suspicious character of the Government, it is probable that a large portion in comparison with the whole quantity in Turkey must have existed in that form rather than in coin.

There is no evidence that any part of the produce of the precious metals from the American mines had passed direct from that continent to Asia during the sixteenth century. Whatever supply Asia received beyond the products of its own mines must have been derived from Europe by its commerce, and it is well known that what passed either by the Cape to India and China, or by the Levant to Turkey, Persia and Arabia, bore but a small proportion to the whole quantity which America supplied.

In the absence of any precise facts, and with but little confidence in an approximation to accuracy, we may venture to suppose that the precious metals which passed from Europe to Asia in the hundred and twelve years from the first discovery of America to the end of the sixteenth century, amounted to one-tenth of the whole quantity produced, or about \$70,000,000; and we may further suppose that one-fifth of the gold and silver had been abstracted from its primary use as money, and converted into other commodities either of use or for ornament. This would amount to about 140 millions. The sum, then, which formed the stock of money in Europe at the latter end of the sixteenth century would be composed of the stock existing at the time of the discovery of America, \$170,000,000; that produced in the hundred and twelve subsequent years, after making allowance for the loss by natural wear, \$690,000,000,—total \$860,000,000; deducting from it what had been conveyed to Asia, and what is supposed to have been applied to the purpose of commodities of all kinds, \$210,000,000,—giving a final aggregate of \$650,000,000.

The stock of gold and silver coin in Europe may, then, be estimated at the end of the year 1599 to amount to \$650,000,000.

Although there was much fluctuation in the produce of the American mines during the seventeenth century, yet upon the whole there was an increase, though not a large one. The mines in the district of Potosi, in Peru, had declined to a great extent. In the first fifteen years of the century they had yielded 1,670,344 piastres, or about \$1,750,000; and in the last fifteen years, from 1685 to 1699, both years inclusive, the average amounts to no more than 559,943 piastres, or about \$583,300. At the first discovery of that mass of mineral wealth, the Spanish conquerors exercised the most unlimited power over the natives. They were driven to the severe labor of the mines in a cold and inhospitable climate, where subsistence was difficult to be obtained; and the change from the deep, and warm, and fruitful valleys where they had passed their time in tranquillity and abundance, swept them away in great numbers. The interference of the Government of Spain, which sent commissioners and strict orders to

mitigate the lot of the natives, was ineffectual; the rude adventurers who had conquered the country thought little of the obedience due to a power so remote and inactive as that which ruled in the European Peninsula. The waste of the indigenous population was attempted to be supplied by the importation of negro slaves from the African shores; but this inhuman resource was far from effectual. The voyage to the river Plate, with the journey over the Pampas and the Cordilleras, lessened the numbers of the captives, and weakened the frames of those who arrived at the inhospitable Cerro of Potosi; and when there, the severity of the climate rendered most of them incapable of labor.

As the country between La Plata and Peru became more traversed, districts were discovered of great natural fertility and salubrity, and establishments were formed near veins of minerals, which upon more mature examination were found to contain much silver and some gold. The negro slaves were applied to those operations, as well as the few native laborers which the scanty population could furnish. In this way the country, then considered a part of Peru, but separated from it in 1788, and added to the viceroyalty of Buenos Ayres, and since, under the revolutionary regimen, converted into a kind of independent republic called Bolivia, with Cuzco for its capital, became peopled, cultivated, and productive of the precious metals. In a few years mines were opened and worked in Carangas, Oruro, Andacava and Chaquiapec (since called La Paz); and their operations were quickened by the stimulus arising from the desire to procure the maté or tea of Paraguay, which silver could most easily purchase, and which was deemed an indispensable refreshment for those who labored in the mines.

In the same century the silver mines of Yauricocha or Pasco, in the more northern part of Peru, were first opened, and yielded a large portion of that metal. It is thus that, though Potosi, which had at first yielded the greatest quantity of silver, had declined, yet the other parts of Peru advanced in their issue of the precious metals so considerably as more than to compensate for that deficiency. This increase, especially of silver, was greatly facilitated by the extension of the mines of mercury at Huancavelica. Those mines, as has been before noticed, were discovered as early as the method of extracting silver by the process of amalgamation, in 1576; but the quantity at first produced was small when compared with that which they reached between the years 1598 and 1684, after which they appear again to have declined. The quicksilver was under monopoly regulations, the Government making the delivery of it subservient to its purposes in securing the tax on the silver; so that the quantity which each miner received was a kind of check on the quantity of silver on which he ought to pay the tax or the King's share.

The chief of those mines became choked up about the year 1790, which was a real calamity to the mining interests of South America. The superintendent of that day removed the pillars

which had been left by the excavators of the galleries to support the roof. By the superincumbent pressure the roof fell in, and the passages became blocked up. The "master miners," says Humboldt, "accused the intendant of having removed the pillars to ingratiate himself with the Court of Madrid, by procuring in a very few years a great quantity of mercury. The intendant on his part affirmed that he had acted altogether with the consent of the master miners, who thought the pillars might be replaced by heaps of rubbish!" This calamity is only noticed to show how difficult it must have been for the Government of Spain to have directed the important affairs of their very remote possessions, and must form an apology for many instances of their mismanagement, if any other apology be needed than the infinitely worse management which has been adopted since those countries have had the task of self-government inflicted on them by their applauded liberators.

Whilst the increase of silver was advancing in Peru, that of gold was also going on in South America in the countries to the north and south of that viceroyalty. In Chili both the Spaniards and their dependent Indians, with the unconquered Arucanians to the south of the river Biobio, were sedulously employed in washing for gold in those streams which descend from the Cordilleras. The climate is mild and the soil fruitful; and perhaps less suffering was inflicted in the extraction of that than of any gold or silver in the other times and countries where it has been acquired. A recent traveler who has visited Chili remarks: "It is usually observed in those countries where great mineral riches exist, that the soil is of a barren and unproductive nature; but Chili affords a striking and solitary exception to this rule; streams abounding in gold wander through the most luxuriant corn-fields, and the farmer and the miner hold converse together on their banks." In the northern part of South America, formerly known as the New Kingdom of Granada, but now forming what is denominated the Republic of Colombia, some little silver, but much more gold was found. Mines existed in some other places in the mountains to the north-east of the Nevada of Merida, and in those to the south of Caracas, but they appear to have been very nearly exhausted. In the century now under consideration, the chief product of gold was procured from the valleys or ravines in the mountainous regions of Antioquia, in the valley of Cauca, between the central and western Cordilleras, and especially in the province of Popayan, at its southern extremity. Some was also found, but only toward the latter end of the seventeenth century, in the province of Choco, which afterward yielded, in proportion to its extent, a greater quantity of that metal than any other part of the globe, though its climate is one of the most unhealthy in the whole of America.

The chief increase between 1500 and 1600 was of silver from the viceroyalty of Mexico, where the production of Zacatecas, Guanajuato, and the other mining districts, had advanced from

the value of two million piastres to that of five millions, and at the latter part of the century had far exceeded that annual average.

Although when the Spaniards conquered Mexico they appear to have annihilated the higher classes, yet the population which was left was quite sufficient to supply laborers, and recourse was never had to the cruel and costly practice of importing negroes from Africa to execute the most servile part of the work, as had been done in Peru, Buenos Ayres, and Colombia. The introduction of cattle and of vegetable productions from Europe, which had been unknown before in Mexico, offered abundance of subsistence; and if the population did not increase it did not greatly diminish under the Spanish yoke. The feudalism which was found in Mexico was rather of a paternal than a slavish character, and the same system was continued by the new proprietors of the soil. Laborers were easily procured for the mines by the assistance of the native caciques, who were always ready to send their vassals to the spot where mines were opened, who either worked below the surface for the metals, or cultivated the land to raise food for those who performed that labor, whilst their hereditary superiors drew some gain to themselves from the employment of those of their respective clans. Humboldt asserts that in the time he visited Mexico the work of the mines was executed alone by free laborers, and the knowledge obtained since a more constant intercourse has been admitted confirms the assertion.

Whatever the health and strength of those natives of Mexico who inhabited the moist and sultry plains may have been, it seems that those who live on the elevated levels are far better adapted for severe labor, and far more capable of enduring continued exertion, than any of the tribes that have been carried from Africa to America. The burdens these men are now in the habit of carrying on their backs up a steep ascent, from the bottom of the deepest mines to the surface, excite surprise in Europe, where such labor is almost exclusively performed by machinery. "The Indians, *Tenateros*," says Humboldt, "who may be considered as the beasts of burden of the mines of Mexico, remain loaded with a weight of from 250 to 350 pounds for a space of six hours. In the galleries of the mines (Valenciana and Rayas) they are exposed to a temperature of from 71° to 77° of Fahrenheit, and during this time they ascend and descend several thousand steps in pits of an inclination of 45°."

"We meet," he says, "in the mines, with files of fifty or sixty of these porters, among whom there are men above sixty and boys of ten or twelve years of age."

The labor of this hardy race had been directed to the mines from the period when the Spaniards had accomplished the quiet submission of the country. It was employed in numerous small mines till about the beginning of the seventeenth century. But in or about the year 1630 the mines of Guanacuatō began to be opened, or perhaps only greatly extended, as the historical facts



before that period are rather doubtful. Since that time, however, during the whole of that and the following century, the progress in the labor, and of the results of it, have been regularly increasing. The mines of Tasco, Zultepec, Fachuca, and Tlapujahua, whose workings had commenced at the earliest period of the Spanish dominion, had languished in a state of comparative inactivity, but in the period from 1620 to the end of that century had gone on regularly increasing, and the same was the case with those mines which are within the district of Zacatecas. In a country like Mexico, where the population, though much extended, was numerous, as the capital to set labor in a state of active operation was augmented, it was natural that the chief object to which that labor was applied should become more and more productive.

Mexico, in the age under consideration, yielded gold as well as silver. It was found sometimes alone, but more commonly in the silver and other ores, and when so found was separated by a subsequent process. Without entering more minutely into a subject where all the ancient documents are obscure, we may safely conclude with Humboldt, that the whole of the precious metals produced in Mexico had so increased between 1600 and 1700, that in the last ten years of the century the mines delivered to the mints, in gold and silver, to the amount of more than five millions of piastres. Upon a review of what is recorded of Peru, Colombia, Chili, and Buenos Ayres, as it has since been called, we conclude that the quantity supplied by them in the same century was somewhat larger. Taking these together, we average them at 10,500,000 dollars or piastres. Besides what was supplied to the mints, and paid the duty to the crown, the same accurate writer calculates that one-fifth part of both metals was conveyed away by contraband means, a calculation by no means unreasonable when the high duty is considered, and looking at the extensive frontier which was to be guarded. This would make the supply amount to 12,600,000 piastres.

Brazil, at that time, had begun to collect gold, though not to the extent which it reached in the following century; it may, however, be safely estimated, even then, at \$1,000,000. To the supplies from America may be added what little the mines of Europe and the rivers of Africa contributed to the general stock, which appears to have amounted to about one million four or five hundred thousand dollars. Thus the sum of \$15,000,000 annually would nearly agree with the estimate which Humboldt has assumed.

This would give an increase to the precious metals in the whole century of \$1,687,500,000. The conclusion has been stated, that the stock in Europe applied to the purposes of money might amount to about six hundred and fifty million dollars. If the same allowance be made for wear in the hundred years as has been above presumed, that coin which was in circulation at the end of the year 1599 would in the year 1699 be reduced to \$435,000,000.

In the former period it has been estimated that the silver and gold which was transferred from America to India, through Europe, amounted annually to one-tenth of the supply furnished by the Western continent. Although the Dutch, the English and the French had shared with the Portuguese in the trade to India, and had enlarged it very considerably, yet there is no reason to conclude that the demand for silver and gold for the trade with Asia had proceeded through the whole of the century at a rate which would make it necessary to send to the East a larger proportion of the whole produce than in the preceding century. If then, as before, the supply for the East be taken as one-tenth, the additional quantity to be applied to Europe would be \$1,523,750,000.

It is difficult to say what proportion of this amount would be applied to other purposes than that of money. We may naturally conclude that with the low price of any commodity the consumption of it will increase. This is the same with the precious metals as with every other commodity, though some confusion of ideas arises from viewing them most commonly in their other character, that of a measure of the value of all other commodities. An ounce of silver may be considered as worth at all times \$1.20, or five shillings, or six francs, and therefore an alteration in its value is marked in a different manner from that of other commodities, which are never measured by themselves. But if silver or gold be measured by corn, meat, cloth, or other articles, those who want such articles can procure a larger quantity of them for the same weight of those in metals. The holder of silver has thus a larger surplus of his peculiar goods, which may be, and a part probably will be, destined to be converted into goods of silver, as well as applied to other luxurious indulgences. As the conversion of money into plate depends much on the low prices of the precious metals, so it is forwarded by peace and prosperity, and generally retrogrades in seasons of war or turbulence. The beginning of the century was a season of more than usual tranquillity. In England, till the civil wars under Charles I. began, there was external and internal peace. In France, till the year 1620, there was no foreign war; and the internal war concerning religion, though furious while it continued, lasted, with peaceful intervals between, not more than eight years. Spain, though not reconciled to the loss of the Netherlands, ceased to carry on war there, and was only disturbed for a few years by the Portuguese having separated themselves from that kingdom. The prosperity of Holland was rapidly approaching to its greatest height. Germany was subject to that tremendous scourge, the thirty years' war on account of religion, in which the heroism of Gustavus Adolphus of Sweden was displayed, to the tremendous annoyance of the country whose liberties he secured. Italy, though the commerce of its trading cities was lost, was at least tranquil. The beginning and the end of the century were far from a state of insecurity; and it seems natural to conclude that, if a great part

of the gold and silver which was collected and had been appropriated to luxury in the first forty years had been, during the middle of the century, converted into coin, much of it would return again to commodities in the succeeding years of tranquillity.

The decorations of the Catholic churches and monasteries were still increasing. The dresses of civil and military men were decorated with a profusion of gold and silver lace and embroidery. The residences of kings, princes, nobles, magistrates, and rich citizens, were furnished with looking-glasses and many pictures in silver frames; and even tables are still to be seen in many houses of that age, if not in massy silver, yet cased with a covering of that metal. The precious metals did not then, indeed, descend to ranks so low as those which now use them; but even the traders, clergy, lawyers, and other of the middle ranks, began to collect a few spoons of silver, and a few other articles of domestic furniture of that metal. Gold rings were very much increased, and ear-rings, as well as necklaces, of the same metal, were a common ornament with all of the middle and many even of the laboring and mechanical classes of females. Few of the women would enter into the married state till the joint savings of herself and her lover had amounted to sufficient to purchase a wedding ring of gold. In this age the manufacture of watches of silver and gold became much simplified and improved, and the use of them vastly extended. As long as the making them remained in the hands of a few ingenious and skillful persons, who were rather artists than artisans, the price was high, and the numbers worn were comparatively few; but as fast as the value of the cases in which the machinery was enclosed declined, and as the forming the interior parts was divided among different descriptions of workmen, so fast did the demand increase, and a watch became the common appendage to the dress of every man, and most women, in the augmented number of persons in the middle ranks of society.

The use of an article among a few hundred, or, when comprehending all Europe, of a few thousand rich or noble families, may be considerable; but when it extends to the millions, however small the portion of each may be, the whole mass collected will be increased to an incalculable extent. If we suppose Europe, at that period, to have contained one hundred million inhabitants, and one-tenth of these to have been married or widowed females, with each a gold ring of only a pennyweight of gold, the value of them would amount to two million pounds sterling. If we suppose that one-tenth of the inhabitants had a silver watch, and one-hundredth part a gold watch, with cases weighing two ounces, the whole would amount to twenty millions sterling. The supposition is made without any assumption of its correctness, and merely to show the prodigious extent and consequent consumption of an article when from the decline in its value it descends to the most numerous classes of society.

In the preceding century, the silver or gold which formed the hilts of the knights' swords, or the spurs fixed on their heels to denote their rank or their valor, the embroidery on the cloaks of the magistrates, the jewels on the habiliments of kings, nobles, and high-born dames, might give splendor to the tournaments and attract the notice of the chronicler or historian; but the value of such decorations would amount but to a most insignificant trifle when compared with the whole of those smaller portions of gold and silver possessed by the many millions in the ranks below them, who, in the century that followed, began to assume their just station in society.

Under consideration of all the changes in the circumstances of European society, it seems fair to conclude that the proportion of the precious metals in the seventeenth century, which was applied to other purposes than making money, had much increased beyond that proportion which it bore in the sixteenth century, and which has been estimated in this inquiry as one-tenth. It seems, therefore, probable that instead of one-tenth only being diverted from its application as coin to that of ornaments and furniture, an assumption may be admitted that it at least amounted to one-fifth. In that view of the subject gold and silver would have been added to the coined money to the amount of \$1,220,000,000. But allowance must be made on this sum for the regular wear, at the rate before estimated, of one part in three hundred and sixty annually, which would amount to about \$170,000,000; thus leaving, at the end of 1699, coin in circulation in addition to what existed at the end of 1599, as may thus, for greater clearness, be exposed in figures:

Stock of coin left at the end of 1599.....	\$650,000,000
Deducted from this by abrasion and loss in the course of a century, to the end of 1699.....	215,000,000
	<hr/> 435,000,000
Produce of the mines in one hundred years .....	\$1,687,500,000
Transferred to India and China in part by the Philippine Islands.....	166,250,000
	<hr/> 1,521,250,000
Deduct a fifth, converted to other objects than that of coin.....	301,250,000
	<hr/> 1,220,000,000
Deduct from this by wear and loss .....	170,000,000
	<hr/> 1,050,000,000
	<hr/> \$1,485,000,000

By this account, taking the stock of coined money at the end of 1599 at \$650,000,000, and that stock at the end of 1699 at \$1,485,000,000, we find an increase in the hundred years at the rate of about 150 per cent., or double and a-half. How this influx of gold affected its relative price we must consider in a future paper, as also the extent of the probable stock of gold in the commercial world in 1849, when the gold discoveries were made in California.

## THE RAILWAY GROWTH OF GREAT BRITAIN.

We have just received an abstract of the official report on the capital, the traffic, and working expenses of railways in the United Kingdom for 1874. This document is the fourth Annual Statement from the British Board of Trade since the "Railway Regulation Act" of 1871 provided that returns should be made by the railway companies directly to the Board of Trade. Prior to the passage of that Act the Board of Trade figures were made up from the information contained in the usual half-yearly reports which the various companies made to their stockholders. But, under the new system, greater accuracy is expected, and the present series of statistical papers is likely to add largely to our general knowledge of the real progress of the British railway system. The report, although small in compass, is full of suggestive information, and to review the whole mass of financial facts it presents would exceed our space. We must, therefore, rather confine ourselves to some of the more salient points which illustrate the railway progress of the last few years. The traffic receipts have, of course, largely increased since 1858. In that year the total receipts of the railways in the United Kingdom were £23,956,749; in 1870 the amount had risen to £43,417,070, and in 1871 to £47,107,558.

The length of the lines in England and Wales at the end of 1874 was 11,622 miles, an increase of about 4,000 miles in the fourteen years; the total paid-up capital was £508,720,097, an increase of £220,028,486; the total number of passengers conveyed during the year, including season-ticket holders, was 423,522,464, more than three times the number carried in 1860; the traffic receipts were £48,144,747, as compared with £23,472,946 in 1860; the working expenses were £27,538,720, as against £11,258,104, leaving the net traffic receipts of passengers and goods at £22,673,271 for 1874, an increase of £10,458,879 in the fourteen years. The length of new line opened each year has varied considerably since 1860, but the average has been 288 miles a year. The total paid-up capital has increased annually at the rate of upward of £15,000,000 a year, but in this, also, there has been a great fluctuation, and last year the increase was eighteen millions. The annual rise in the number of passengers has equaled twenty and a-half millions, but in this the variation has been considerable, the increase in 1872 being forty-four millions, whereas last year it was only twenty-two millions. The increase in the total traffic receipts, which in 1872 and 1873 had ranged between three and four millions, was only a little more than a million last year. In the net traffic receipts there was a decrease last year of £370,000, as

compared with the preceding twelve months. In Scotland, the total length of line open in 1874 was 2,699 miles, the annual increase of line being in about the same proportion as in England. The total paid-up capital in North Britain in 1874 was £71,327,140, as compared with £38,838,741 in 1860. The number of passengers was 38,240,011, an increase of nearly 22,000,000 in the fourteen years. The gross traffic receipts were £6,234,495, more than double those of 1860, while the working expenses had risen from £1,306,128 in 1860 to £3,634,352 in 1874, and the net traffic receipts from £1,619,101 to £2,845,906. Ireland has the smallest length of line among the three divisions of the United Kingdom, and the annual increase of new line is also in a smaller proportion. Last year the total length open was 2,127, being an increase of about 800 miles in the fourteen years. The capital, which stood at twenty and a-half millions in 1860, had risen to nearly thirty millions; the total number of passengers conveyed in 1874 stood at 16,554,226, having risen at the rate of nearly half a million annually during the fourteen years. The total traffic receipts for 1874 were £2,522,039, as compared with £1,368,447 in 1860; the working expenses had risen from £623,136 to £1,443,026, and the net traffic receipts from £745,311 to £1,121,773. Looking at the tables for the whole of the United Kingdom, we find that the total length of line open at the close of last year was 16,448 miles, an increase of about 6,000 miles in fourteen years. The total paid-up capital amounted to £609,949,919, an increase of £314,833,129 in the fourteen years. The total number of passengers had risen from 163,483,572 in 1860 to 478,316,701 in 1874, or from 15,669 per mile in 1860 to 29,081 per mile in 1874. The total traffic receipts for the whole kingdom, which in 1860 stood at £27,766,622, had risen in 1874 to £56,901,281, while the increase in the traffic receipts per mile had risen from £2,661 in 1860 to £3,459 in 1874. The total working expenses last year were £32,616,098, as compared with £13,187,368 in 1860. In addition to the actual receipts for traffic on the lines, there were receipts in 1874, from steamboats, rents and other miscellaneous sources, amounting to £2,356,217.

The gross earnings of the British railways amount to nearly ten per cent. of their total cost; while the gross earnings of the railroad system of this country average twelve per cent. But if the gross earnings of our railroads are the larger, the operating expenses are much greater in this country. Hence the net earnings in both countries are very nearly equal; amounting in England to 4.37 per cent., and in this country to 4.50 per cent. The English railways, in consequence partly of the recent strikes among the workmen, and partly of the high price of coal, have had to pay very heavy operating expenses for several years past. A change has been effected now, and the operating expenses are considerably reduced. It is, therefore, expected that the dividends of the English companies will be larger this year. The subjoined table shows the yearly growth of the British railway network from 1842 to the present time.

## THE RAILWAYS OF GREAT BRITAIN.

## OFFICIAL STATISTICS, 1842-1874.

Year.	Length of line open at end of year. Miles.	Cost of railways open for traffic. £	Average cost per mile. £	Total traffic receipts. £	Receipts per mile for year. £	Working expenses, taxes, etc. P. ct.	Profit on capita. P. ct.
1842	1,630	54,380,100	33,362	4,470,700	2,743	40	4.93
1843	1,730	60,637,100	34,929	5,022,650	2,895	40	4.94
1844	1,950	66,882,100	34,200	5,814,940	2,982	40	5.22
1845	2,243	75,646,100	33,736	6,909,270	3,080	40	5.48
1846	2,840	87,765,100	30,903	7,945,870	3,797	42	5.25
1847	3,710	114,728,000	30,924	9,277,670	2,501	42	4.69
1848	4,626	154,200,000	33,333	10,445,100	2,258	42	4.06
1849	5,950	197,000,000	33,110	11,683,800	2,000	42	3.44
1850	6,733	230,522,730	34,236	13,142,235	1,944	42	3.31
1851	6,928	236,841,420	34,186	14,987,310	2,163	42	3.67
1852	7,337	248,093,520	33,816	15,543,610	2,118	45	3.44
1853	7,774	263,636,320	33,912	17,920,530	2,305	44	3.80
1854	8,028	273,860,009	34,113	20,000,000	2,491	46	3.93
1855	8,285	293,993,000	35,474	21,423,315	2,562	47	3.86
1856	8,741	302,946,260	34,658	23,095,500	2,642	48	3.96
1857	9,371	311,153,670	33,204	24,164,465	2,579	48	4.04
1858	9,550	310,950,000	34,099	23,956,749	2,499	48	3.75
1859	9,923	328,219,100	32,871	25,676,783	2,573	48	4.07
1860	10,350	337,827,200	32,640	27,766,622	2,661	47.5	4.30
1861	10,850	352,386,100	32,478	28,563,374	2,632	48	4.24
1862	11,470	370,107,250	32,268	28,980,612	2,527	48	4.07
1863	12,104	387,246,200	32,268	30,798,660	2,545	48	4.18
1864	12,682	408,396,680	33,303	33,582,497	2,608	47	4.35
1865	13,189	433,558,100	33,873	35,635,838	2,702	48	4.37
1866	13,624	453,746,800	34,039	37,815,927	2,776	48.8	4.17
1867	14,020	479,167,300	34,177	39,140,540	2,794	50.6	4.01
1868	14,223	436,893,400	34,233	39,823,268	2,800	49.5	4.13
1869	14,414	494,359,000	34,297	41,595,061	2,896	47.5	4.49
1870	14,610	504,381,000	34,106	43,626,605	2,909	48.1	4.13
1871	15,376	552,680,107	35,944	48,893,000	3,179	48.4	4.41
1872	15,814	569,047,346	35,984	51,304,114	3,244	50	4.52
1873	16,082	588,320,308	36,582	57,742,000	3,500	53.26	4.59
1874	16,448	609,949,919	37,083	56,901,281	3,459	55.04	4.37

## NATIONAL BANKS OR A NATIONAL BANK.

*To the Editor of the Banker's Magazine:*

The series of able articles in favor of a great National Bank, which have appeared in your pages for some months past, has started a discussion which is somewhat new to the present generation of Americans, though it may not be unprofitable.

The proposal is in substance to substitute for our present National Banking system one National Bank with thirty or forty branches and a capital not exceeding \$500,000,000, which shall be the fiscal agent of the Government and have certain exclusive privileges, among which is to be that of issuing bank-notes. The gentleman who proposes the establishment of this giant monopoly is careful to say: "It is a *conversion* only that we propose, not an enlargement of our present banking capital, for which there is certainly no necessity." But it is not difficult to foresee that an enlargement of our present banking capital is just what would follow the change proposed. Such an institution could not fill the place, or do the work of our present banking system. That could be done only by having a branch in every city and town where a bank is now established. A merchant does not want a banker whose place of business is in a distant town. There are also many small transactions, amounting in the aggregate to a large sum, in which such a bank would find little profit, and which would be likely to fall to the smaller banks. Half the capital of our National Banks, or possibly \$300,000,000 as your correspondent supposes, might be absorbed in the proposed bank with a corresponding proportion of the business. A part of the National Banks, deprived of the profits now derived from their circulation, might retire from the field. But there would probably still remain besides the capital of the National Bank, 150 to 200 millions of banking capital in other institutions, thus making 650 to 700 millions in all instead of about 500 millions as at present. Is it not morally certain that the diversion of so much new capital to a branch of business already fully supplied would result in speculation, bad investments, and disaster? If we are to have a National Bank, \$500,000,000 is a most extravagant figure for the capital. A Bank of \$100,000,000 capital would be the largest in the world. The Bank of England has a capital of \$70,727,000, the Bank of France \$35,000,000, the new Imperial Bank of Germany \$28,800,000, the Imperial Bank of Russia about \$15,000,000, the London and Westminster, (next to the Bank of England the largest in London, and having about \$150,000,000 of deposits,) only about \$10,000,000 paid up. In chartering a bank of \$500,000,000 capital we should be entering upon an experiment far surpassing in magnitude any that has ever succeeded.



Not to insist upon being strictly limited by the past, is it wise at one bound to go so far beyond what has previously been tried? The fifteen or twenty thousand directors managing our National Banking system have in the aggregate a much greater stock of that peculiar knowledge necessary in lending safely on commercial securities our vast banking resources, than would the one or two hundred directors and managers of the proposed bank however carefully selected. A single smaller Board might regulate the issues of bank-notes on more comprehensive principles, and when the time comes for separating the function of issuing notes from the operations of ordinary banking, more can be said in favor of a National Bank. At present the proposal to establish such an institution must be considered in reference to its influence upon banking proper as well as upon the bank-note issues. It is no extravagant distrust of human nature to doubt the capacity of such a mere handful of men to loan wisely, in a country like ours, three-quarters of a billion dollars or more on banking securities. Loaning and discounting are about the most important and delicate operations which banks have to perform. Divide the work of handling our banking resources among two thousand Boards of Directors according to their capacity and opportunities, and the problem is very much simplified. It is far easier to concentrate capital than business power.

Is not our banking system what it is mainly because the requirements of commerce demand that it shall be so? The inference is at least very natural that the present organization is better suited to our circumstances than the one proposed. It is in countries whose industrial and commercial systems are much more centralized than our own—such as England, France, Belgium and Prussia—that the working of a National Bank has proved beneficial. It is only with great caution that conclusions drawn from their experience should be applied to a nation whose internal economy is so unlike theirs as our own. Extreme centralization is as impracticable in our monetary as in our political system and would be attended by like disastrous consequences. Says Leone Levi in his lectures on Banking recently published in the *London Banker's Magazine*: "A National Bank may be effective in England which is intersected all over by railways, and is otherwise conspicuous for the unity of her institutions. But in the United States where each State possesses a certain amount of autonomy, and where the area of each is so vast, no single bank, and, I would add, no single system of banking, may be at all sufficient." Those who are charmed with the idea of a great National Bank forget how little it would harmonize with our industrial and commercial life. In European States the monetary system like the political organization tends to monarchy. In this country let the democratic character be impressed alike upon both.

Among the important duties of a banking system in specie-paying times is the maintenance of an adequate coin reserve to which resort may be had in case of panic. It is a disputed point whether the reserve is better kept by throwing the responsibility

of keeping it on one bank alone, or by leaving each bank to take care of its own reserve. John Stuart Mill takes ground in favor of having one large bank like the Bank of England which shall be responsible for the maintenance of the specie reserve, and he argues that "by disseminating this responsibility among a number of banks it is prevented from operating efficaciously upon any." On the other hand Walter Bagehot, who has given the subject careful study, maintains that "a main effect," (of the one reserve system,) "is to cause the reserve to be much smaller in proportion to the liabilities than it would otherwise be," and this because a part of the reserves of other banks and bankers deposited with the bank which keeps the reserve, is loaned out like other deposits, while the whole would be held in reserve if kept by the banks in their own vaults. This view is very plausible and derives additional support from the habitual nervousness exhibited by British financial writers on the question of the bank reserves. Nor is this surprising when it is known how small a reserve the Bank of England would have left if the balances of other London bankers should be suddenly withdrawn. In 1873 out of a total average reserve of £12,000,000, the large proportion of £8,500,000 belonged to other London bankers. It is therefore at best doubtful whether the reserves would be better kept under the proposed organization of our banking system.

The prosperity of the country under our former National Banks is often greatly exaggerated or attributed to wrong causes. During the early years of the first Bank of the United States the industries of the country were comparatively simple in their character, the transactions of our internal commerce were not large, the suspension of specie payments by several European States reduced the demand for the precious metals in that quarter, and the carrying trade poured into the channels of our commerce a steady stream of specie. From 1791 to 1807 the currency of the country was therefore more largely metallic than for many years afterwards. These circumstances favored monetary stability. Our National Bank did not however prevent an explosion among the banks of New England in 1808-9 which disclosed an astonishing degree of rottenness in those institutions. It is not to be denied that the first Bank of the United States was managed with great prudence and exercised a salutary influence upon the currency. The claims of the second National Bank as a regulator of the currency, especially in its earlier years, are much more slender. We find in Sumner's *History of American Currency* and Gouge's *History of Paper Money and Banking in the United States* some instructive facts on this subject: "By the charter its capital was to consist of \$7,000,000 Government subscription, \$7,000,000 specie and \$21,000,000 Government stock or specie. It began business with \$1,400,000 in specie, \$14,000,000 in stocks and the rest in stock notes; \$2,800,000 were soon due on the second installment, but this would come for the most part from notes or discounts of the Bank itself. Only \$32,400 was paid in specie. The third installment was still worse. The Bank discounted its own stock at par

to enable the installment to be paid." "In August 1817 the Bank discounted its own stock at 125." "In April 1818, fifteen months after the Bank started, it was doubtful whether it was solvent." The \$7,000,000 of bullion imported by the Bank at a cost of \$800,000 expense, could not be retained in the country. "The parent Bank refused the notes of its branches and they of each other." In November Congress appointed a committee of investigation which reported that the Bank had violated its charter in several important particulars. A resolution was offered that a *scire facias* should issue for the forfeiture of its charter. The resolution was on the 24th of February, 1819, defeated, but the defeat lost much of its significance as a vindication of the bank from the fact that some forty members were stockholders. Soon after the receipt of the report in Philadelphia the President of the Bank, Mr. William Jones, fled in affright from the institution. On the 6th of March Langdon Cheeves became his successor. To his consternation he found on arriving at Philadelphia that the suspension of the Bank was generally expected there. By the 1st of April the specie in its vaults had been reduced to \$126,745.28 with \$267,978 in the mint and \$250,000 in transit from the West. It owed a balance of \$79,125 to other city banks; its circulation was \$6,000,000; and treasury dividends due the same day amounted to \$500,000, besides the demands of depositors. "The aggregate of the losses of the institution growing out of the operations which preceded the 6th of March, 1819, exceeded considerably \$3,500,000. The dividends during the same time amounted to \$4,410,000. Of this sum \$1,348,553.98 were received as interest on the public debt held by the Bank, which leaves as the entire profits on all the operations of banking the sum of \$3,061,441.02, which is less by at least half a million dollars than the losses sustained on the same business!" The prompt measures instituted by the new administration "lifted the Bank in the short space of seventy days, (from the 6th of March to the 17th of May,) from the extreme prostration which has been described to a state of safety and even in some degree of power." But the curtailments necessary to effect this object operated with destructive effect upon the community. It will thus be seen that so far in its career the Bank of the United States, instead of mitigating the evils of the period, in fact by its gross mismanagement aggravated them. Better management subsequently prevailed, but until after the crisis of 1825 had passed away the country did not enjoy a steady and general prosperity, and then not in a greater degree, or for a longer period, than under the State Bank system after the crisis of 1837 had spent its force. The period of this second National Bank was not exempt from stringencies and depressions similar to those since experienced, only we know less of them from the imperfect record which has been preserved of our commercial transactions during that time. During the crisis of 1825 the Bank was in such straits that one of the Directors talked publicly on the Exchange at Philadelphia of the expediency of suspending specie payments. Until within a few years of the

expiration of its charter, specie constituted but an insignificant portion of the circulating medium of the nation and was rarely used except for fractional currency. Instability of the monetary instrument characterized the period. In the *Merchants' Magazine* for July 1842 will be found a table prepared by Wm. M. Gouge showing the price of bank-notes at Philadelphia during the twenty-eight years 1814 to 1841. In each of these years marked variations in the value of bank-notes of different sections of the Union will be noticed, the discount being sometimes as much as 75 per cent. Up to 1823, notes of the Bank's branches were at a discount. This table shows how a National Bank, though contributing somewhat to restrict variations in the value of bank-notes, yet "utterly failed" to bring the bank-note currency up to uniformity.

From 1811 to 1830 no less than 193 banks were broken, not a few of them after the Bank of the United States had acquired a predominant influence in our monetary affairs. To make the failures under the National Banking system during the seven years 1867-74 as numerous in proportion to the number remaining in operation, (allowing for the difference in the length of time,) the number of bank failures during these seven years should have been not 159, but upwards of 500. The last state of this bank was worse than the first. Rechartered under the laws of Pennsylvania as a State institution, but retaining its former capital and general management, it failed miserably, and that not from unavoidable calamity, but from the grossest and most reckless violation of sound banking principles. The aggregate loss at home and abroad, directly and indirectly, by this failure, has been estimated at \$100,000,000. It shows some of the dangers to which a banking monopoly is subject in this country from its inevitable political complications. There can be little doubt that the policy of the bank previous to the expiration of its charter, had been vitiated in its struggle for a renewal, as it has been affirmed, and, in view of subsequent revelations, is credible, that the passage of the bill for its recharter in the House of Representatives, was procured by "judicious loans and gifts to members never entered upon the books," and "that, in five years no less than 255 members received considerations of a pecuniary nature at the bank." According to Mr. Benton nearly \$30,000,000 was lost through loans between 1830, and 1836 "to members of Congress, to editors of newspapers, to brawling politicians, to brokers and jobbers, to favorites and connections," without the authority of the Directors and in many cases without indorsement or other security. Nor was such mismanagement fortuitous. The tendency is inherent in the very nature of every such monopoly to strengthen itself by political alliances to the neglect of the mercantile interests of the community, against that jealousy and hostility which, with the democratic spirit of the country, that monopoly is powerful enough to inspire, but not to overawe.

No such deplorable consequences as these have as yet come, or are likely to come from our National Banking system, which,

though not perfect in all its details, is yet for the most part based upon sound principles and adapted to the circumstances of the country. It contains "the promise and potency" of much yet unrealized good. With a bank-note currency secured by a deposit of United States bonds worth their face in gold or more, a run upon the banks by the bill-holders is scarcely likely to occur. One of the greatest dangers to which our banking system was previously exposed is thus eliminated. The notes of the National Banks are thus made uniform in value throughout the Union with each other and with the legal-tender notes in which they are redeemable. This, whether any one chooses to call it uniformity of value, or, what amounts to the same thing, "uniformity of depreciation," is no small convenience to the community. An absolutely fixed and unchangeable standard of value is what no economist has yet discovered. If bank-notes conform in value to the legal-tender standard which the National authority has established, more cannot be required of them. Relatively to the unstable legal-tender basis on which our monetary system rests, the bank-note issues were never before so well regulated as under the present system. For making that legal-tender basis what it is, the nation is responsible, not the banks.

It is not strange that with our monetary system thus vitiated at the very foundation, "there has been no adaptability developed in the National method for a return to specie payments." Of all the disorders that can infect a currency, it is doubtful whether any other can be found so insidious and so obstinate in resisting cure as the debasement of the monetary standard by making irredeemable paper money a legal tender. Neither the Bank of England nor the Bank of France ever had to struggle against such an impediment to specie payments; and we venture to question whether a solitary instance can be produced in which any bank, or any system of banking, has succeeded in maintaining specie payments while such a legal-tender system remained. Nations which commit this glaring sin against economic and moral principles, seem doomed in punishment to chronic suspension aggravated and prolonged by the rank growth of every economic heresy and of every species of commercial immorality. Like the United States, Austria and Russia have both tried the experiment. Each has for many years enjoyed the blessing of that vaunted remedy—a National Bank. In neither has such an organization developed any "adaptability" "for a return to specie payments." In Russia the issues of State paper have increased from 644,648,719 rubles on the 1st of January, 1860, to 763,869,451 rubles on the 1st of January, 1873, and though the specie reserve had increased at the latter date to 195,954,343 metallic rubles, the State has the power to use it in paying current expenditures as it has done before. The notes are at a discount of from 15 to 20 per cent. Austria had in June 1873 a legal-tender circulation of 380,000,000 florins of Treasury notes and 340,700,000 florins of bank-notes. Austria and Russia in spite of their National Banks are still confronted with the same problem to which American

statesmanship has proved unequal, and seem quite as much at a loss how to solve it. It is that great National crime of continuing the use of irredeemable paper money as a legal tender, that has made our financial recuperation and theirs so slow. But for this there is no reason to doubt that specie payments would have been resumed within five years after the close of the war, and that without a National Bank. The one financial remedy required, (and no other can be adequate,) is to go to the root of the evil, and provide either for the withdrawal of the legal-tender notes or for paying them according to their tenor on demand in specie. It is the want of sensitiveness shown by the nation to this plainest dictate of commercial honor, that has prevented a more rapid improvement in its credit. What has made American statesmanship incapable of grappling successfully with our financial difficulties, is its deficiency, not so much in intelligence, as in moral sense. It is upon the reformation of the legal-tender basis that the friends of a sound currency need to concentrate their efforts. The evils which have sprung from the debasement of the legal tender, will disappear with the cause that produced them.

There is nothing to hinder us from working out our financial salvation under our present banking system. It has passed successfully through one of the most severe financial crises which the country ever experienced. It is only an alarmist who can see in the comparatively few bank failures for such a period, the signs of approaching destruction to the system itself. This last panic too is about the only one in our history which the banks had little or no influence in bringing on. Its immediate cause existed in the mismanagement, not of the National Banks, but of certain private banking establishments which had undertaken the inconsistent functions of banks and finance companies. Panics, crises and suspensions are not peculiar to countries which have no National Bank. The Bank of France, now in a state of suspension which has lasted five years, had to suspend in 1847 and was on the verge of suspension in 1857, 1863 and 1864. England is more frequently visited with crises than we are; and though the organization of the currency there has provided effectively against the danger of suspending specie payments, the force of the convulsion expends itself upon some weaker part of the financial mechanism. In managing a panic when it comes, a single large banking establishment has an advantage over several smaller ones in its ability to adopt a prompt, decisive and comprehensive plan of action. But by perfecting some organization for concert of action among the banks of our various financial centers similar to what they adopted in the late panic, only more permanent and effective, and by abolishing those relics of medieval legislation—the usury laws—our present banking system may be expected to perform in future panics substantially the same work as a National Bank. The germs of such a union already exist in our Clearing-House associations. It is only necessary to develop the idea.

DUDLEY P. BAILEY, Jr.

## TEXT OF THE IMPERIAL BANK LAW OF GERMANY.

"1. The right of issuing notes can only be conferred by a law of the Empire; nor can any issue be extended beyond the sum fixed by the present Act except by a similar law. To the bank-notes issued according to this Act are assimilated the State paper notes which have been transferred to a bank with a view to increase its working capital.

"2. No one can be forced to accept bank-notes tendered for payments which by law must be made in money; nor can the treasuries of the Empire be obliged to receive bank-notes as payment by any provincial law.

"3. Bank-notes are only to be issued for amounts of one hundred, two hundred, five hundred, and one thousand marks, or a multiple of one thousand marks.

"4. Every bank is bound to redeem its notes on presentation at their full nominal value. Banks are also bound to accept their notes at their full nominal value in payments, and that not only at the central establishment, but at all the branch offices. Every bank must redeem injured notes if the bearer present a part of the note larger than one half, or if he prove that the largest part of the note of which he only possesses the half or less, has been destroyed. The bank is not bound to redeem destroyed or lost notes.

"5. Bank-notes which have been paid into the tills of the bank, or of one of its branch offices, or to other places appointed for their redemption, are not to be re-issued if they are soiled or damaged.

"6. The calling in and withdrawal of the notes of a bank, or of any kind of bank-notes, can only take place with the special permission or by order of the Federal Council. This order is made if a large part of the notes in circulation is known to be soiled or injured, or if the bank has lost the right of issue. The special permission can only be granted if it has been proved that forgeries of the notes to be called in have been put in circulation. In every case the Federal Council prescribes the mode, number, and times of publication of the notices for the withdrawal; the period within which and the places where the notes must be redeemed; the regulations for redeeming notes called in after expiry of the interval allowed; as well as any other measure which may appear necessary for the security of the holders of the notes. The regulations to be made by the Federal Council for these purposes will be published in the *Reichsgesetzblatt* (Bulletin des Lois).

"7. No banks issuing notes has power—

"(1.) To accept bills of exchange.

"(2.) To buy or sell *on time*, either for its own account or for account of others, merchandise or stock exchange securities, or undertake to guarantee the fulfilment of such time transactions.

"8. Banks issuing notes are bound to publish in the *Reichsanzeiger*, at their own expense—

"(1.) A statement of their assets and liabilities on the 7th, 15th, 23d, and last day of each month, to be published at latest on the fifth day following these dates. (2.) An exact balance sheet of assets and liabilities, as well as the profit and loss account of the year, to be published at latest three months after the close of their business year. The weekly publication must specify the following amounts:—(1.) Under the head of *liabilities*—The subscribed capital; the reserve fund; the notes in circulation; the other liabilities on demand; the liabilities at notice; the remaining liabilities. (2.) Under the head of *assets*—The stock of coin and bullion (that is to say, the stock of German currency, and of gold in bars or foreign coin, reckoning a pound of fine gold at 1,392 marks);\* the Reichskassenscheine (imperial legal-tender notes); the notes of other banks; bills of exchange; Lombard advances (*i.e.*

\* The pound mentioned here is the German pound.

advances on securities); effects; the remaining assets. The Federal Council will decide which parts of the assets and liabilities in the year's balance sheet are to be specially shown. Both returns must specially mention the contingent liabilities upon inland bills of exchange which have passed into other hands.

"9. Banks whose note circulation exceeds their amount of cash, and the amount assigned to them in the subjoined list,\* have to pay yearly to the Exchequer, on the excess, a tax of 5 per cent., to date from the 1st January, 1876. In calculating the tax the following items are to be reckoned as 'cash':—Current German money, 'Reichskassenscheine,' notes of other German banks, and gold bars and foreign gold coin, calculated at the rate of 1,392 marks for a pound of gold.† If a bank lose the right of issuing notes (§ 49), its share in right of issue of uncovered notes *not* subject to taxation falls to the Imperial Bank.

"10. For the purpose of determining the amount of tax due, the administration of each bank has to make out a statement of the total of the stock of cash and of the note circulation on the 7th, 15th, 23d, and last of each month, and to submit this statement to the Imperial Controller. At the close of every year the controlling authorities will, upon the basis of these statements, determine the amount of tax to be paid by each bank, in the following number:—5-48 per cent. of the surplus of uncovered notes subject to the tax, as fixed in each of the different statements, is to be calculated as part of the tax; and the total of these separate tax 'debits' is the amount of tax which the bank has to pay to the Exchequer at latest on the 31st of January of the year following.

"11. Foreign bank-notes and other obligations of foreign corporations, companies, or private individuals, not yielding interest, and issued to bearer, are not to be used in payments, whether they are exclusively, or along with another valuation, issued in the currency of the Empire or in that of any German State.

"12. Under the control and direction of the Empire, a bank will be established, bearing the name of 'Reichsbank.' It will have the quality of a legal 'person' (juristische person), and the function of regulating the circulation of money in the whole of the German Empire, facilitating the settlement (clearing) of payments, and rendering useful disposable capital. The 'Reichsbank' will have its head office in Berlin, and is authorized to establish branch offices in any place in the Empire. The Federal Council may give the necessary orders for the establishment of such branch offices in certain places.

"13. The 'Reichsbank' is authorized to transact the following kinds of business:—(1.) to sell and buy gold and silver in bullion and coin. (2.) To discount, sell, and buy bills, whose currency does not exceed three months, and for which mostly *three*, and at least *two* persons, who are known to be solvent, answer; also obligations of the Empire, of any German State, or inland communal corporations, which are due at their nominal value at latest in three months' time. (3.) To give loans bearing interest for not longer than three months, and in exchange for movable pledges (Lombard advances). These pledges comprise—(a) gold and silver in coin or bullion; (b) bonds of the Empire, or of any one State in Germany, of inland communal corporations, due to the bearer, which either yield interest, or else are due within a year; or bonds to bearer, yielding interest, which are guaranteed by the Empire, or else by one of the German States; fully paid shares, preference shares, and preference obligations of German railway companies whose lines are open for traffic; as also mortgage bonds of joint-stock and co-operative mortgage banks, the latter standing under provincial, communal, or the State's control, to be accepted at most at three-fourths of their value; (c) bonds of foreign States to bearer, and yielding interest, and foreign railway preference obligations guaranteed by a State, to be accepted at most at 50 per cent. of their value. (d) Bills guaranteed by persons known as solvent, with a deduction of at least 5 per cent. of their value. (e) Pledged commercial goods lying in warehouse in the country to be accepted at most at two-thirds of their value. (4.) To buy and sell debentures within the condition given in 3 b ;

\* This "subjoined list" is contained in the table, page 314.

† The pound mentioned here is the German pound.



the instructions for the Directors of the Imperial Bank will determine up to what amount the working capital of the bank may be invested in such debentures. (5.) To collect money on account of private persons, establishments, or officials; to make payments guaranteed beforehand; to give checks and drafts on branch offices or correspondents. (6.) To buy the precious metals or effects of any kind if guaranteed beforehand, for third parties, and to sell them after due delivery. (7.) To accept money yielding interest or not, both as deposits and 'giro'; the amount of deposits bearing interest is not to exceed the capital of the bank and the reserve fund. (8.) To accept the charge and management of valuable goods.

"14. The Bank of the German Empire shall be obliged to exchange its notes for bars at the price of 1,392 marks for a pound of gold, and shall be entitled to cause such bars to be assayed at the expense of the parties offering them, by experts appointed by the bank.

"15. The Bank of the Empire has to publish the rate at which it discounts (§ 13-2), or gives loans on interest (§ 13-3). The returns of the week will have to be based on the books of the Bank of the Empire, or of its immediate branch offices.

"16. The Bank of the Empire is authorized to issue notes according to the requirements of its business. The fabrication, the emission, the withdrawal and destruction of these notes must take place under the control of the Commission for the debts of the Empire, to which a member named by the Emperor will be added for this occasion.

"17. The Bank of the Empire is obliged to have in its coffers at least one-third of the amount of notes in circulation, in German currency, in legal-tender notes of the Empire, in gold bars or foreign coins, valued at 1,392 marks for a pound of gold. The rest of the amount of notes in circulation must be represented by discounted bills, due at latest in three months, and for which generally three, but *at least* two, persons known to be solvent are responsible.

"18. The Bank of the Empire is obliged to redeem its notes—(a) at the principal seat in Berlin, on presentation; (b) at the branch offices as far as its means extend; in both cases in German currency.

"19. The Bank of the Empire is obliged to accept as payment, at their full nominal value, the notes of all the banks contained in § 48, and that not only in Berlin, but at all its branch offices established in towns with more than 80,000 inhabitants, and in the places where the bank which has issued the notes has its seat, but only as long as that bank strictly observes the regulations for the payment of notes. Notes accepted in this manner must either be presented for redemption, or employed for payments in the town where the bank in question has its seat, or in payments to the bank itself. The Bank of the Empire is empowered to make agreements with other German banks, by which these renounce their right of issuing notes.

"20. Should the debtor of a loan received in the manner determined by § 13-13 be in default, the bank has a right to have his pledge sold by one of its officials, or by a public auctioneer, without requiring the authorization of the Court of Justice. Should the pledge have a bourse or market price, it may be sold otherwise than publicly, by an official, a broker, or any person entitled to sell by auction, at the price of the day, and from the proceeds the bank will receive its capital, interest, and expenses. The bank may make use of this right with other debtors also, and with the debtor's collateral securities.

"21. The Bank of the Empire and its branch offices are exempt from income and trade taxes.

"22. The Bank of the Empire is obliged gratuitously to accept payments for the Empire, and to make such up to the amount of the Empire's credit. It is authorized to take in charge the same business for the separate German States.

"23. The capital of the Bank of the Empire amounts to *one hundred and twenty millions* of marks, divided into 40,000 shares of 3,000 marks each bearing names [(?) registered]. The shareholders are not personally answerable for the liabilities of the Bank of the Empire.

"24. The net revenue, resulting at the close of every year, is to be used in the following manner:—(1.) The shareholders are first to receive a dividend, valued at  $4\frac{1}{2}$  per cent. of the capital. (2.) Of the rest 20 per cent. is to be appropriated to the reserve fund, as long as the latter does not amount to one-fourth of the capital. (3.) One-half of the balance remaining is to be paid to the shareholders, as long as their dividends do not exceed 8 per cent., the other half goes to the Exchequer. Three-fourths of the further remaining amount goes to the Imperial Exchequer, one-fourth to the shareholders. Should the net revenue not amount to  $4\frac{1}{2}$  per cent. of the capital, the deficiency must be made up from the reserve fund. If the shares are issued at a premium above their nominal value, the amount so gained goes to the reserve fund. Due dividends fall under the right of prescription in favor of the bank, after four years, dated from the day when they are due.

"25. The control belonging to the Government will be exercised by a 'Bank-Curatorium' (a sort of council of administration), to consist of the Chancellor of the Empire as president and four colleagues. One of these four members is named by the Emperor, the other three by the Federal Council. This 'Curatorium' will meet once a quarter and receive a report on the condition of the bank and on everything relating to it, and will also have communicated to it a general statement of accounts of all the business operations undertaken by the bank and the regulations made by it.

"26. The part of the direction belonging to the Government will be exercised by the Imperial Chancellor, and under him by the Imperial Bank Directory; should the Chancellor be hindered from exercising his functions, the Emperor will name a substitute to replace him for the time. The Chancellor will direct the whole administration according to the rules of this Act, and the regulations which are to be published, according to § 40. He will have to publish the directions for the Imperial Bank Directory, and for the branch offices, as well as the rules and instructions for the officials of the bank. He alone is authorized to introduce a change in any of these regulations and instructions.

"27. The Imperial Bank Directory is the official authority by which the bank is administrated and actively represented. It consists of a president and a certain number of members; it will vote by a majority of voices, and will be subject to the directions of the Chancellor of the Empire in all questions of administration. The president and members of the Bank Directory will be appointed for life by the Emperor on a proposal from the Federal Council.

"28. The officials of the Bank of the Empire will have the rights and duties of imperial functionaries. Their salaries, pensions, and other payments for their services, as well as the pensions and 'supports' for surviving relatives, are all to be borne by the bank. The rate of salary and pension for the Bank Directory will be determined yearly by the Budget of the Empire; that of the other officials by the Emperor, in agreement with the Federal Council, on a proposition from the Imperial Chancellor. No official of the bank is to be a holder of its shares.

"29. The accounts of the Bank of the Empire must be submitted to the Court of Accounts of the German Empire. The Chancellor will determine in what form the yearly accounts are to be submitted. The Court of Accounts must, however, be consulted on the question of the directions to be given.

"30. All the shareholders have a right to take a part in the administration of the bank by way of the general meetings, and besides that, by a committee chosen amongst them. They are, however, subject to the following rules:

"31. The central committee is the permanent representative of the shareholders in any business with the administration. It consists of fifteen members, besides whom fifteen substitutes are to be chosen. These members and substitutes are chosen from those amongst the shareholders who have at least three shares in their name. All these members and substitutes must reside within the Empire, and at least nine members and nine substitutes in Berlin. One-third of the members retire annually, but are eligible for re-election. The central committee meets at least once a month, presided over by the president of the Bank Directory, who may also call extraordinary meetings. The quorum of these meetings will be at least seven members; the detailed

directions will determine *when* and in *what turn* the substitutes of members are called up.

"32. The central committee will have submitted to it every month the weekly reports on the state of the discounts, bills, and loans, of the circulation of notes, the cash in hand, the deposits, purchase and sale of gold, bills, and effects, and the distribution of funds to the branch offices. At the same time there will be communicated to it the results of both ordinary and extraordinary revisions of the bank's cash, as well as the opinions and proposals of the Bank Directory relating to the business of the bank in general and the needful regulations. The central committee may, above all, give its opinion upon the following points: (a) Upon the balance and the accounts of profits which have been made up at the end of the twelve months by the Bank Directory, then submitted to the approbation of the Chancellor of the Empire, who has definitely settled them, and which are communicated to the shareholders in the general meeting. (b) Upon changes in the 'Etat' for salaries and pensions (§ 28). (c) Upon appointments to vacant places in the Bank Directory, the president's place excepted. In this question the central committee is to be consulted before the Federal Council comes to a decision (§ 27). (d) Upon the amount up to which the funds of the bank may be used in loans. The purchase of effects can only be made in the name of the bank, when the sum of the amount up to which the bank's funds may be used for this purpose has been settled with the approbation of the central committee. (e) Upon the rate of discount and the interest of loans, as well as upon changes in the principles and the terms on which credit is given. (f) Upon agreements with other German banks (§ 19), and upon the principles to be observed in the relations with these banks. General directions and instructions to the officials must be communicated to the central committee as soon as they have been published (§ 26).

"33. The members of the central committee will receive no remuneration for their services. Should a member of the committee betray the secrets of the bank (§ 39), should he make a bad use of any information he has received in his quality as such, or should he have lost public confidence through any cause whatsoever, or if he appears to endanger the interests of the establishment in any way, he may be excluded from the committee by the general meeting. A bankrupt member of the committee, a member who does not appear at the meeting for six months, or one who ceases to fulfill the conditions necessary to his being elected (§ 31), will be considered no longer a member.

"34. The continuous special control over the administration of the bank, will be exercised by three deputies chosen from the central committee for the duration of one year, and by as many substitutes for the deputies. The detailed regulations will determine *when and in which turn* the substitutes are to be called up. The deputies have the right of being present and of pronouncing their opinion at all the meetings of the Bank Directory. They have further the right and the duty to look into the course of business, and the books and portfolios, in the presence of a member of the Bank Directory, and in the usual business hours, and to be present at the ordinary and extraordinary revisions of the bank's cash. They will report on what they have done, in the monthly meetings of the central committee. Should a deputy be in the situation indicated by § 33, part 2, the central committee may suspend him without waiting for the consent of the general meeting.

"35. The bank may carry on business with the finance administrations of the Empire or the German Federal States, only within the limits drawn by this Act or by the Bank Statutes, and, should any business not come within the general conditions of bank business, it must be submitted to the approbation of the deputies. If only one of these object, it must be laid before the central committee. The business may not be done if a legal majority of the central committee has not approved it.

"36. The Federal Council has to determine where the Imperial Bank head offices have to be established, besides the one chief seat of the bank. These are to be under a Directory, consisting of two members at least, and under the control of a Bank Commissary, named by the Emperor. Each Imperial

Bank head office should, if there is a sufficient number of shareholders in the place, be provided with a provincial committee, whose members are chosen by the Chancellor of the Empire from a list of shareholders proposed by the Bank Commissary and the central committee. The shareholders must reside at the place where the head office is established, or else in its immediate neighborhood. This committee will hold monthly meetings, in which the reports on the business of the head office, and the directions given by the central administration, will be communicated to it. Any proposals or motions which the district committee should feel inclined to make, and which the Directory of the head office cannot agree to, must be presented to the Chancellor in a report. The continuous special control over the course of business at the head offices of the bank will be exercised (as in section 34), so far as it does not interfere with the daily business, by two or three deputies, chosen by the provincial committee from amongst its own members, or, where there is no provincial committee, named by the Chancellor of the Empire.

"37 All other branch offices which come under the immediate control of the Bank Directory of the Empire will be established by the Chancellor himself; those which are to be under the control of another branch office will be established by the Bank Directory.

"38. The Bank of the Empire will have to be responsible for the signature of the Bank Directory of the Empire, or of one of the head offices, even in cases where law prescribes a special authorization for these signatures. These must, however, be made by two members of the Bank Directory, or by two members of the Board of Directors of the head offices, or else by their substitutes. The Chancellor will separately publish detailed regulations as to what conditions and in what form the signatures of the bank officers are to be obligatory on the Bank of the Empire. Any suit against the business of the bank, head offices, or of branch offices, may be addressed to the court of justice of the place at which the branch office is established.

"39. All the persons attached to the bank, such as officials, members of the committee, deputies, are bound to keep silence on all business matters of the bank, especially on business with private persons, or regarding the credit afforded to these. The deputies from the central committee and their substitutes, as well as the committee of the local head offices, must promise as much, by a shake of the hand in lieu of an oath.

"40. The statutes for the Bank of the Empire will be published according to §§ 12 to 39, by the Emperor after a previous agreement with the Federal Council. These statutes must contain regulations on the following subjects: (1.) The form of the shares and of the 'coupons' and 'talons' belonging to them. (2.) The forms to be observed at the transfer or seizure of shares. (3.) The mortification [(?) canceling] of lost shares, lost 'coupons,' or 'talons,' as well as the disposal of the 'coupons' and 'talons' belonging to such shares. (4.) The principles on which the yearly balance of the Bank of the Empire must be struck. (5.) The term and 'modality' for the payment of the dividends. (6.) The form in which the general meetings are assembled, and the conditions and mode of voting of the shareholders; no conditions, however, are to exclude the holder of one share from giving his vote, nor may more than 100 votes be centered in one person. (7.) The 'modalities' for the election of the central committee, and of the deputies for the same, and of the district committees and their deputies. (8.) The form to be observed in the announcements made by the company, and the public papers in which they are to be inserted. (9.) The liquidation of the Bank of the Empire, which would follow the dissolution of the bank (§ 41). (10.) The way in which the shareholders or their representative committee should co-operate in increasing the capital to an amount fixed by Imperial Act. (11.) The conditions of security under which purchases and sales of effects may be made by the bank for the account of others.

"41. The Imperial Government will, on the 1st January, 1891, have the power—(a) to abolish the bank established according to this Act, and acquire the pieces of land in its possession, according to their value in the books; or (b) to acquire the shares at their nominal value. This right will be renewed every ten years. Should the right be made use of, one year's warning must

be given by the Chancellor to the Bank Directory, in the form of an Imperial decree, which has received the approbation of the Federal Council, and which the Bank Directory is to publish. In both cases the reserve fund, which will not be required to cover losses, goes half to the shareholders, half to the Exchequer. For a prolongation in this question it will be necessary to obtain the authorization of the Reichstag.

"42. Banks, which are in the possession of the right of issuing notes at the period of this Act's publication, are not allowed to carry on business, nor to have business carried on by agents on their account, nor to enter as partners in banks, in any other State than that in which the right has been granted.

"43. The notes of banks which have the power to issue, at the time of publishing this Act, are not to be used as payments in any other State than in that where the right has been granted. Such notes may, however, be exchanged for other bank-notes, paper money, or cash.

"44. The restrictions contained in § 43 need not be applied to banks which fulfill the following conditions by the 1st January, 1876: (1.) The bank may invest its working capital only in business contained in § 13, from 1 to 4, especially in point 4, and at most to the amount of one-half of the capital and the reserve fund. The last term for conforming its loan business to the regulations contained in § 13, No. 3, is fixed at the 1st January, 1877. The bank must publish at certain periods its rate of discount, and the percentage at which it gives loans. (2.) The bank must put aside 20 per cent. of its annual net profits above  $4\frac{1}{2}$  per cent. for a reserve fund, as long as that reserve fund does not amount to one-fourth of the capital of the bank. (3.) The bank is obliged to have in its coffers one-third of the amount of its notes in circulation, either in German currency, or in legal-tender notes of the Empire, or in gold bars or foreign coins, one pound of gold valued at 1,392 marks. The rest of the amount of notes in circulation must be represented by discounted bills, due at latest in three months, and for which, as a rule, three, and *at least* two, persons known as solvent are responsible. (4.) The bank is obliged to redeem its notes in German currency at a place in Berlin or Frankfort, which must have been approved of by the Federal Council. The notes must be redeemed at latest on the day following their presentation. (5.) The bank is obliged to accept, as payment at their nominal value, all German bank-notes which have a privilege of circulation in the Empire, and that not only at its chief seat, but at all the branch offices established in towns with more than 80,000 inhabitants, as long as the banks which have issued these notes strictly observe the regulations for the payment of notes. The notes of other banks accepted in this manner can only be used either in presentation for redemption, or as payments in the town where the bank which has issued them has its seat, or as payment of the bank itself. (6.) The bank must promise not to use the right of objection it may possess with reference to the privilege of issue granted to other banks, or to the measure by which the Government of a State ceases to accept its notes as cash at the public pay-places. (7.) The bank must consent to have its right of issue granted according to § 41, withdrawn at one year's notice, either by the Government or the Federal Council, and without any indemnification whatever. The Federal Council is to withdraw the right of issue only for the purpose of bringing order and uniformity into banking affairs, or else when a bank has not conformed to this Act. The right of decision in this question belongs to the Federal Council. A bank which fulfills all these conditions, from 1 to 7, will have a right to carry on business in branch offices, or agencies beyond the territory determined in § 42, if the government of the province in which the bank has its seat obtains the consent of the Federal Council. The banks which can prove by the 1st January, 1876, that their lawful issue of notes does not exceed the capital paid in on the 1st January, 1874, are not bound to fulfill the condition contained in (2); they may at once circulate their notes, and establish branch offices and agencies carrying on business in the whole Empire. The Federal Council has the power to grant these banks for undetermined periods, the right of giving credit in a way forbidden by (1), if they have been in possession of this right before. The Federal Council will also determine the conditions necessary in such a case.

"45. Banks intending to make use of the regulations contained in § 44. must prove to the Chancellor of the Empire:—(1.) That their statutes comply with the conditions contained in § 44. (2.) That the appointed office for the redemption of notes has been established. When both these points have been proved, the Chancellor of the Empire publishes in the official paper what follows:—(a) That the restrictions contained in §§ 42 and 43, or in § 43 alone, are not applicable to the bank in question. (b) The place at which the office has been established which redeems the notes of this bank.

"46. In cases where the term of duration of a bank's right to issue notes can be limited by the Government or any other public authority; this Act must be regarded as giving notice of such limitation at the shortest lawful term. This regulation is of course not valid for banks whose notes in circulation do not exceed their capital paid in on the 1st January, 1874, and which fulfill the conditions contained in § 44, 1 to 7. Those statutes and dispositions which make the duration of a bank, or of its right of issue, dependent on the existence and the right to issue notes of the Prussian Bank, are repealed.

"47. Any change in the fundamental law, the statutes, or privileges of a bank, which is already in the possession of the right to issue notes, must be submitted to the approval of the Federal Council, if it regards the capital, the reserve funds, the business limits, the security against issued notes, or the duration of the right of issue. Lawful dispositions or concessions of particular States, by which a bank is limited in the right of carrying on the business of discount, loans, and deposits, are not prohibited by the above regulation if they are not contained in one of the clauses of this Act. The approval of the Federal Council can be obtained through an application from the Government of the State in which the bank in question has its seat; it will be refused if the bank does not comply with the dispositions contained in § 44. The Government of Bavaria has the power to extend the right of issue of the Bavarian note-bank up to the maximum amount of 70,000,000 marks' worth of notes. The said Government can invest any other bank with this right, if it conform to the regulations contained in § 44.

"48. The Chancellor of the Empire is authorized to examine, with the help of commissioners, into the books, the offices, and coffers of banks which issue notes, at any time, to ascertain whether the regulations of this Act are being followed, whether the conditions necessary to exempt a bank from §§ 42 and 43, or from § 43 alone, have been fulfilled, and whether the weekly and yearly reports (§ 8), or the reports necessary for the valuation of taxes (§ 10), correspond to the real state of affairs. The right of control due to the Governments of the separate States is not interfered with by this regulation.

"49. The right of issue will be forfeited in the following cases:—(1.) If the term for which it has been granted has expired. (2.) If the bank renounce its right. (3.) In case of bankruptcy, on the day the proceedings commence. (4.) If the right be withdrawn by the verdict of a court of justice. (5.) By the decision of a State Government, according to the regulations of the statutes or concessions.

"50. The right of issuing notes can be withdrawn by the verdict of a court of justice on complaint of the Chancellor, or the Government of the German States, in which the bank in question has its seat, in the following cases:—(1.) When the directions contained in the statutes, the concessions, or in this Act, relating to the 'covering' of notes in circulation, have been violated, or the amount of notes in circulation as it is determined by the statutes, the concessions, or this Act, has been exceeded. (2.) When the bank in question carries on business which is forbidden in § 42, or when it circulates its notes beyond the territory assigned it in § 43, before the Chancellor's publication contained in § 45 has been publicly made known. (3.) When the bank does not redeem notes presented at its tills—(a) at the chief seat of the bank on the day of presentation; (b) at the place of redemption (as in § 44-4) within twenty-four hours following the day of presentation; (c) at other places of redemption appointed as such by the statutes of the bank, within three days from the day of presentation. (4.) When the capital of the bank has been diminished one-third by losses, the action must be

carried on in the usual form of law proceedings. Lawsuits of this kind will come under the heading commercial business, contained in the Imperial Code of Law. The judgment must also contain an order for the withdrawal of all notes in circulation.

"51. The judgment is not to be executed before it has obtained lawful validity. The execution will be performed by the competent court of justice. The court will determine for this purpose the period within which the bank must publish the notice announcing the withdrawal of its notes. If the bank is not bankrupt the court will name a trustee, whose business it will be to oversee the withdrawal of notes and to demand the liquidation of the bank at the hands of the court of justice, if it fails to obey the orders prescribed in such a case. All the withdrawn notes of the bank must be consigned to a pay-place appointed at the place where the bank has its seat, by the Chancellor of the Empire.

"52. Six months after the sentence has obtained lawful validity (§ 50), the bank must deposit at the pay-place a sum of money amounting to the sum of the notes not yet deposited. This sum of money will be returned to the bank as it goes on depositing the notes out, and the residue will be returned on the day fixed by the Federal Council as the last term for the withdrawal of notes.

"53. The notes deposited, as mentioned in §§ 51 and 52, will be destroyed in the presence of the trustees of the bank, and also of the trustee of the treasury where the notes are deposited. A judicial or notarial protocol will be drawn up relating to the destruction of the notes. The administration of the bank may send two deputies to be present at the act of destruction. The day fixed for the destruction must be made known to the bank eight days before it takes place. It may take place all at once or at different times.

"54. All those corporations which, without being issue banks, are in possession of the right to issue notes, or bonds, or other obligations without interest, due to the bearer, are bound to fulfill the conditions contained in §§ 2 to 6 inclusively, in § 43, and in § 47, Part I of this Act, so long as they intend continuing to have paper money in circulation, and so far as these regulations relate to the permission to issue paper money, the duration of the privilege and the security against the issue.

"55. Whosoever issues notes or other obligations, without interest, without the right to do so, will be subject to a fine of ten times the amount of the paper he issued, and at least 5,000 marks, if the paper issued does not amount to the tenth part of this sum.

"56. Whosoever pays with notes or other paper money belonging to *inland* banks or corporations beyond the territory appointed for their circulation in § 43, will be fined in a sum of money, which may not, however, exceed 150 marks.

"57. Whosoever, contrary to the directions contained in § 11, pays with foreign notes or other obligations without interest, belonging to *foreign* banks, corporations, companies, or private individuals, and which are valued in currency of the Empire, or else in other German currency, will have to pay a fine varying from 50 marks to 5,000 marks. If it be proved that transgressions of this kind are practiced as a trade, imprisonment for one year or less may be added to the fine. The mere attempt to transgress is subject to punishment.

"58. Whosoever carries on bank business as director of a branch office, or as agent, or enters into partnership with one bank in the name of another, notwithstanding the prohibition of § 42, will be fined up to 5,000 marks. The same fine will have to be paid by the members of a Bank Directory who do not comply with the regulations contained in § 7, or who disobey the rules contained in § 42, by—(a) establishing branch offices or agencies; (b) or letting their banks participate in the partnership of other banks.

"59. The members of a Bank Directory will be punished with three months' imprisonment if they misrepresent the conditions of the bank in the report they have to publish according to the dispositions contained in § 8. They will be punished with a fine amounting to ten times the sum of the tax

embezzled, and to a minimum of 500 marks, if they do not declare the whole of the amount of notes subject to taxation in the report which they must make according to § 10. If the bank issues more notes than it has a right to issue, they will be punished with a fine amounting to ten times the sum which the excess amounts to, or a minimum of 5,000 marks. This punishment will also be undergone by the directors of corporations who are in the possession of the right to issue obligations without interest, if they issue more paper money than they are authorized to issue.

"60. The regulations contained in §§ 6, 42, and 43, and the penal directions relating to them, and contained in §§ 56 and 58 of the present Act, will come into force on 1st January, 1876.

"61. The Chancellor of the Empire is authorized to conclude a treaty with the Prussian Government, by which the latter cedes the Prussian Bank to the Empire. This treaty must be founded on the following basis:—(1.) Prussia cedes the Prussian Bank to the Empire after having withdrawn its advanced capital, amounting to 1,906,800 thalers and one-half of the reserve funds. Along with the bank, the Prussian Government will cede all its corresponding rights and obligations, from the 1st January, 1876, under the conditions following, and numbered 2 to 6. The Empire will convert this bank into the Imperial Bank, to be established according to the provisions of this Act. (2.) For the cession of its Bank Prussia will receive an indemnity of fifteen millions of marks, to be provided by the Bank of the Empire. (3.) The shareholders of the Prussian Bank will have the right to exchange their shares of the Prussian Bank for shares of the same nominal value of the Bank of the Empire, if they consent to renounce their rights in favor of the latter establishment. (4.) The Bank of the Empire must return the advanced capital and the amount due from the reserve funds, to those shareholders who demand as much; this right being guaranteed to them by the §§ 16 and 19 of the Bank Regulations of the 5th October, 1846 (Prussian Code of Law, p. 435). (5.) The 'Reichsbank' has to undertake the liabilities which the Prussian Bank took upon itself in the treaty of the 28th to 31st January, 1856, with regard to the Government's loan of sixteen millions and five hundred and eighty-nine thousand thalers (16,589,000). For this purpose the 'Reichsbank' will have to pay to Prussia for the years 1876 to 1925 inclusively, 621,930 thalers yearly, in two installments each year. If the concession of the Bank of the Empire is not renewed, the German Government will take care that the installments are paid to the Prussian Exchequer up to the time when another bank acquires the Imperial Bank's rights and liabilities. (6.) The agreement between Prussia and the Bank of the Empire regarding the real estate of the Prussian Bank has as yet to be made.

"62. The Chancellor of the Empire is authorized—(1.) to issue those shares which are not exchanged for shares of the Prussian Bank as mentioned in § 61, No. 3; (2.) to issue Treasury notes (Exchequer bills) *with interest* to the amount of the shares not issued, in order to procure the capital necessary for the Bank of the Empire, according to § 23. These obligations must be due at latest on the 1st May, 1876.

"63. The fabrication of these Treasury notes (*bons du trésor*), (contained in § 62, No. 2), will be intrusted to the Administration of the National Debt. The Chancellor of the Empire fixes the rate of interest. Up to the 1st May, 1876, the amount of Treasury notes may be renewed by the Chancellor's decree, but only as a covering for those already in circulation.

"64. The sums necessary for the interest and the redemption of these Exchequer bills must be found by the Administration of the National Debt from revenues of the Empire, at the time when they are due.

"65. The issue of these Treasury notes will be made by the Exchequer. The interest of the Treasury notes falls under the right of prescription after a period of four years, the subscribed capital shares after a period of thirty years, from the day on which the Treasury notes are due.

"66. The directions contained in the Code of Commerce regarding inscription in the commercial register, and the legal consequences where this measure has been neglected, are not to be in force with regard to the Bank of the Empire."



<i>List of Banks.</i>	<i>Uncovered Circulation of notes. Marks.</i>
1. Imperial Bank.....	250,000,000
2. Landlord's Private Bank in Pomerania (Stettin).....	1,222,000
3. Town Bank in Breslau.....	1,283,000
4. Bank of the Berlin Kassenverein.....	963,000
5. Cologne Bank.....	1,251,000
6. Magdeburg Private Bank.....	1,173,000
7. Danzig Private Share Bank.....	1,272,000
8. Provincial Share Bank of Grand Duchy of Posen.....	1,206,000
9. Commercial Bank for Prussian Oberlausitz (Gorlitz).....	1,307,000
10. Hanoverian Bank.....	6,000,000
11. Provincial Bank (Landos Bank) of Langrave of Hesse.....	159,000
12. Frankfurt Bank.....	10,000,000
13. Bavarian Bank.....	32,000,000
14. Saxon Bank at Dresden.....	16,771,000
15. Leipsig Bank.....	5,348,000
16. Leipsig Kassenverein.....	1,440,000
17. Chemnitz Town Bank.....	441,000
18. Wurttemberg Note Bank.....	10,000,000
19. Baden Bank.....	10,000,000
20. Bank for South Germany.....	10,000,000
21. Rostock Bank.....	1,155,000
22. Weimar Bank.....	1,971,000
23. Oldenburg State Bank.....	1,881,000
24. Brunswick Bank.....	2,820,000
25. Central German Credit Bank in Meiningen.....	3,187,000
26. Private Bank at Gotha.....	1,344,000
27. Anhalt-Dessau State Bank.....	935,000
28. Thuringian Bank (Sondershausen).....	1,658,000
29. Gera Bank.....	1,651,000
30. Lower Saxon Bank (Bückeburg).....	594,000
31. Lübeck Private Bank.....	500,000
32. Commerzbank in Lübeck.....	959,000
33. Bremer Bank.....	4,500,000
Total.....	385,000,000

THE BANKERS' CENTENNIAL FUND.—The Bankers' Centennial Fund Association recently appointed a committee, composed of Messrs. B. B. Sherman, Charles Bard, C. N. Jordan, W. A. Hall, and George F. Baker, to distribute subscription lists for the Philadelphia International Exhibition, among banks, trust companies, savings institutions, etc. On September 20th, the Association met at the Clearing-House, and received a report from this committee. The report states that the different institutions are beginning to forward their subscriptions. It urges that the banking institutions of the country have a direct interest in the revival of trade, and ought, therefore, the more willingly to contribute toward the erection of the necessary Exhibition buildings. It closes with an appeal to the banks of New York, which are in communication with the banks of the United States, to do their duty in this matter, and to do it promptly, as money is needed to finish the buildings before winter.

INCREASED FACILITIES.—Two notable events during the month of September mark the progress of modern business energy. The Direct Atlantic Cable opened its offices in New York and elsewhere on the 15th, with the rate for transmitting messages to London reduced to twenty-five cents per word.

The fast postal trains between Eastern and Western cities began on the 13th, via Pittsburgh, and the 16th, via Albany and Buffalo. The reduction of several hours in time between the leading cities and those of the interior, is an important gain in the economy of domestic exchanges.

## THE REDEMPTION AGENCY.

The memorandum from the Treasurer of the United States, which we give in full below, has elicited much comment and discussion. Many complaints are uttered by the banks, who are assessed to make good losses of currency through dishonesty or carelessness on the part of employes of the Department. We defer, until our next number, any extended consideration of this question.

The Treasurer has written a letter defending this claim upon the National banks, and maintaining the following views: He says the charge is for the year previous to his coming into office, and would have been assessed by his predecessor could the statement have been made out in time. The duties of the Redemption Agency were devolved upon the late Treasurer, without his solicitation, and without any additional compensation, by a law which took effect immediately, without allowing time for the preparation of the necessary appliances. He assumes that he is liable to the banks, whose agent he was, upon his bond or otherwise, for the losses sustained, and in that opinion he has been sustained by able lawyers. There being no other fund or appropriation out of which any items of furniture, printing or losses, could be paid, it only remains to assess them upon the banks. Inasmuch as this is an assessment, and not in the nature of a voluntary payment by the banks, if any error should be made, they are not precluded from presenting their claims for reimbursement to Congress, or to any other proper tribunal. The general public are interested in the objects of the Redemption Agency as much as the banks, and as the National banks already pay a very large tax upon their circulation, amounting in the last year to \$3,366,793.92, it would seem but just that they might appeal to Congress to pay out of that tax the future expenses of the Agency, and to reimburse them for the recent assessment.

## (Memorandum. No. 3.)

## NATIONAL BANK REDEMPTION AGENCY.

The following expenses were incurred by this Agency during the fiscal year ended June 30, 1875, in carrying into effect the provisions of section 3 of the Act approved June 20, 1874:

Express charges.....	\$88,098 31
All other expenses:	
Salaries .....	\$158,227 39
Printing and stationery.....	12,290 72
Postage .....	3,298 80
Office furniture .....	12,918 68
Contingent expenses .....	768 47
Profit and loss.....	15,363 00
	<hr/>
	202,867 06
Total .....	<hr/>
	\$290,965 37

The following is an explanation of the various items of expense:

*Express Charges.*—This item includes all of the express charges paid on National Bank notes received for redemption; on new United States currency returned therefor; on National Bank notes fit for circulation assorted and returned to the several National banks; and on United States currency received for the credit of National banks in the five per cent. fund. All of these charges have been consolidated and assessed upon the several National banks, in proportion to the amount of their circulation redeemed and assorted. The total amount of notes assorted during the year was \$130,322,945, making the average rate for each \$1,000 assorted, 67 6-10 cents. The rates charged by the express companies were 25 cents per \$1,000 to and from all points within the territory of the Adams Express Company, and 60 cents per \$1,000 to and from all points within the territories of connecting companies. The average rate charged for each \$1,000 transported was about 35 cents.

*Salaries.*—This item includes the salaries paid in the Redemption Agency, and \$12,410.80 paid to clerks employed in the office of the Comptroller of the Currency, under the Act of June 23, 1874, which provides that the amount expended thereunder shall be reimbursed from the five per cent. fund. The salaries of the persons employed in carrying into effect the Redemption Act are now fixed by law. The amount appropriated for the current fiscal year by the Act of March 3, 1875, is \$201,496. The salaries paid during the last fiscal year were in no case higher, and were in most cases lower, than are now authorized by law.

*Printing and Stationery.*—The printing of the Agency has been done by the Public Printer, and the stationery has been furnished by the Treasury Department at contract rates. The amount of this item has been deposited in the Treasury to the credit of the proper appropriations.

*Postage.*—The amount charged to this account is the face value of official postage stamps furnished to the Agency by the Treasury Department, the amount of which has been deposited in the Treasury.

*Office Furniture.*—The amount of this item has been expended for assorting stands, covered desks for the counters, money-boxes for the counters and assorters, tellers' counters, wire-work for windows, doorways, and partitions, and other similar furniture required for purposes of safety or convenience. Nearly all of the furniture required for the present force of the Agency has now been provided. Except in a few cases where emergency required the purchase to be made in the open market, the furniture was obtained either from the cabinet shop of the Treasury Department, or by contract with the lowest bidder.

*Contingent Expenses.*—This item includes telegrams, repairs, and other miscellaneous items not chargeable to any other head of account.

*Profit and Loss.*—The amount charged to this item is that of various packages of money abstracted from the Agency, and other smaller losses met with before it was provided with proper rooms, furniture, or other necessary guards against theft or loss. The provision of such guards, and the adoption of a rigid system of accountability and inspection, have prevented the occurrence of any losses of the kind during the last six months. The losses sustained were an inevitable result of suddenly throwing the redemption and assortment of the bank currency upon the Treasury, without allowing time in which to provide the requisite facilities for the work. Every effort has been made to detect and bring to justice the guilty parties. One person has been convicted of theft from the Agency, and another is under indictment for a similar offense.

A full and accurate statement of the facts pertaining to the losses has been spread upon the books of the Agency, and is open to the inspection of any person interested.

The labor and expense of counting and assorting being in direct proportion to the number of notes handled, all of the above expenses, with the exception of express charges, have been assessed in proportion to the number of notes redeemed and assorted for each bank. The total number of notes assorted during the last fiscal year was 17,842,310; the expenses (exclusive of express charges) were \$202,867.06, making the average charge for each 1,000 notes assorted \$11.37.

The aggregate expenses of the Agency for the year were about two-ninths of one per cent. upon the amount assorted. The assessment upon each bank varies from this average according as the average denomination of its notes assorted is greater or less than the average denomination of all of the notes assorted, which is \$7.30. Unless there should be some unforeseen increase of expense, the rate per cent of the expenses for the current fiscal year will be much less than for the last year, on account of the increased efficiency of the force, and the fact that the requisite furniture and appliances have already been provided.

The vouchers for all of the expenses of the Agency paid prior to July 1, 1875, were approved by the proper officers, and were examined by the committee appointed by the Secretary of the Treasury to examine the cash and accounts of the Treasury; upon the retirement of the late Treasurer.

JOHN C. NEW, *Treasurer U. S. and Redemption Agent.*

August 28, 1875.

## PUBLIC DEBT OF THE UNITED STATES.

*Recapitulation of the Official Statements (cents omitted).*

## DEBT BEARING INTEREST IN COIN.

	August 2, 1875.	September 1, 1875.
Bonds at six per cent. ....	\$1,095,858,550 ..	\$1,085,865,550
Bonds at five per cent. ....	613,632,750 ..	623,032,750
	<u>\$1,709,491,300</u> ..	<u>\$1,708,898,300</u>

## DEBT BEARING INTEREST IN LAWFUL MONEY.

Certificates of indebtedness at 4 per cent. ....	\$ 678,000 ..	\$ 678,000
Navy pension fund at 3 per cent. ....	14,000,000 ..	14,000,000
	<u>\$14,678,000</u> ..	<u>\$14,678,000</u>
Debt on which interest has ceased. ....	10,678,270 ..	17,961,260

## DEBT BEARING NO INTEREST.

Old demand and legal-tender notes ....	\$ 374,824,985 ..	\$ 374,315,565
Certificates of deposit ....	64,270,000 ..	64,780,000
Fractional currency ....	41,145,393 ..	41,137,018
Coin certificates ....	22,725,100 ..	17,618,500
	<u>\$ 502,965,478</u> ..	<u>\$ 497,851,084</u>

Total debt .....	\$ 2,237,813,048 ..	\$ 2,239,388,644
Interest .....	27,110,460 ..	26,919,783

TOTAL DEBT, principal and interest. ....	\$ 2,264,923,509 ..	\$ 2,266,308,428
--	---------------------	------------------

## CASH IN THE TREASURY.

Coin. ....	\$ 68,942,700 ..	\$ 71,117,272
Currency .....	4,316,969 ..	4,602,365
Special deposit held for redemption of certificates of deposit, as provided by law..	64,270,000 ..	64,780,000
	<u>\$137,529,670</u> ..	<u>\$140,499,638</u>

Debt, less cash in the Treasury, Aug. 2, '75	\$ 2,127,393,838 ..	.....
Debt, less cash " " Sept. 1, '75	.....	\$ 2,125,808,789

Decrease of debt during the past month..	.....	\$1,585,049
Decrease of debt since June 30, 1875....	.....	2,879,936

## BONDS ISSUED TO THE PACIFIC RAILWAY COMPANIES, INTEREST PAYABLE IN LAWFUL MONEY.

Principal outstanding .....	\$ 64,623,512 ..	\$ 64,623,512
Interest accrued and not yet paid .....	323,117 ..	646,235
Interest paid by the United States .....	28,202,807 ..	28,202,807
Interest repaid by transportation of mails, &c.	6,214,159 ..	6,304,047
Balance of interest paid by the U. S..	<u>\$ 21,988,648</u> ..	<u>\$ 21,898,760</u>

## BANKING AND FINANCIAL ITEMS.

**CALLS FOR FIVE-TWENTY BONDS.**—The twenty-fifth and twenty-sixth calls of 5-20 bonds, for redemption, were issued on September 1, interest to cease on December 1, when payment will be made. The total amount called in is \$13,000,000, issued under the Act of June 30, 1864. The twenty-fifth call, for \$8,000,000, is on account of the Sinking Fund. The following are the numbers, which are in all cases inclusive:

**TWENTY-FIFTH CALL—TOTAL \$8,000,000.**

<i>Coupon.</i>		<i>Registered.</i>	
\$50—No.	751 to No. 1,500	\$50—No.	31 to No. 50
\$100—No.	3,791 to No. 5,300	\$100—No.	251 to No. 400
\$500—No.	4,301 to No. 7,500	\$500—No.	201 to No. 350
\$1,000—No.	16,201 to No. 30,000	\$1,000—No.	1,101 to No. 1,850
Total.....	\$4,500,000	\$5,000—No.	801 to No. 1,200
		\$10,000—No.	1,521 to No. 3,037
		Total.....	\$3,500,000

**TWENTY-SIXTH CALL—TOTAL \$5,000,000.**

<i>Coupon.</i>		<i>Registered.</i>	
\$50—No.	1,501 to No. 2,500	\$50—No.	51 to No. 68
\$100—No.	5,301 to No. 7,000	\$100—No.	401 to No. 600
\$500—No.	7,501 to No. 10,100	\$500—No.	351 to No. 481
\$1,000—No.	30,001 to No. 39,800	\$1,000—No.	1,851 to No. 2,650
Total.....	\$2,750,000	\$5,000—No.	1,201 to No. 1,550
		\$10,000—No.	3,038 to No. 3,750
		Total.....	\$2,250,000

**THE TWENTY-SEVENTH CALL** was issued on September 17th, maturing on December 17th, for \$5,000,000 coupon bonds of the Act of June 30, 1864, viz.:

<i>Coupon.</i>		<i>Registered.</i>	
\$50—No.	2,501 to No. 3,300	\$500—No.	10,101 to No. 15,300
\$100—No.	7,001 to No. 10,500	\$1,000—No.	39,801 to No. 59,700

**STAMPS ON FOREIGN EXCHANGE.**—The late Commissioner of Internal Revenue, under date of April 2d, declared that "drafts or bills drawn in the United States upon a foreign country need not be stamped, not being vouchers in the meaning of the law while in this country." The following circular from the present Commissioner now orders these drafts to be stamped.

**TREASURY DEPARTMENT, OFFICE OF INTERNAL REVENUE, }  
WASHINGTON, June 30, 1875. }**

In decision No. 177, dated April 12th, 1875, "concerning the stamp tax upon bank checks, drafts, orders, or vouchers," &c., it was held that "drafts or bills drawn in the United States upon a foreign country need not be stamped, not being 'vouchers' in the meaning of the law while in this country." That ruling is, from and after this date, reversed.

The statute in question, section 15 of the Act of February 8, 1875, imposes a stamp tax of two cents upon every "bank check, draft, order or voucher for the payment of any sum of money whatsoever, drawn upon any bank, banker or trust company."

Drafts, bills, checks or orders drawn in the United States on a bank, banker or trust company in a foreign country, although perhaps not 'vouchers' while in this country, appear to me to be clearly taxable under the terms of the statute. They are drafts, checks or orders drawn upon a bank, banker or

trust company, and there is nothing in the law limiting to this country the locality of the bank, &c., upon which the paper is drawn.

Collectors will at once notify the banks, bankers and trust companies in their several districts of this change of ruling, and will require the payment of the stamp tax on the instruments referred to, from and after this date.

D. D. PRATT, *Commissioner*.

**THE THEFT FROM THE TREASURY.**—On September 17th Benjamin B. Halleck, accused of the larceny of \$47,000 from the United States Treasury, waived examination, and was committed in default of \$40,000 bail. The examination of Theodore W. Brown was concluded on the same day, and he was committed for trial in default of \$40,000 bail.

**THE RIGHT OF SEARCH FOR UNSTAMPED CHECKS.**—The following shows the official view of this inquisition, so far as regards National Banks:

SECOND NATIONAL BANK, }  
CINCINNATI, September 10, 1875. }

*John J. Knox, Esq., Comptroller of the Currency, Washington:*

The day before yesterday we were visited by two officers, who presented a letter, signed by L. Weitzel, Collector of Internal Revenue, authorizing them to examine the bank, and see if we had paid any unstamped checks. I told them we had nothing in the bank to be ashamed of, or afraid for, but we threw ourselves upon the organic law, and for any such purpose recognized only the authority of the Comptroller of the Currency, and I respectfully, but firmly, refused them admittance behind the counter.

Did I do right? Yours respectfully, S. S. ROWE, *Cashier*.

TREASURY DEPARTMENT, }  
OFFICE OF COMPTROLLER OF THE CURRENCY, }  
WASHINGTON, September 13, 1875. }

SIR: I have received your letter of the 10th inst., with reference to the right of officers of Internal Revenue to examine the canceled checks in your bank, for the purpose of ascertaining whether they have been stamped, as required by law.

The Commissioner of Internal Revenue, some time since, claimed the right to make such examinations, and so instructed his officers. The Comptroller questioned his right to do this, and appealed to the Secretary of the Treasury, who decided, in May last, that such examinations could only be made by National Bank Examiners, and this decision was subsequently acquiesced in by the Commissioner of Internal Revenue.

Very respectfully,

JOHN JAY KNOX, *Comptroller*.

S. S. Rowe, *Cashier Second National Bank, Cincinnati, Ohio.*

**NEW YORK CITY.**—We chronicle with regret the failure of the old and respected banking firm of Frederick Shuchardt & Sons, which transpired on Saturday, September 11th. The house was originally known under the name of Shuchardt & Gebhardt, but was changed in 1865 to its present style, on the death of Mr. Gebhardt. They occupied, until within the past two or three years, a prominent position among the private bankers of New York, their bills on Europe being regarded as prime. The failure is attributed to the shrinkage of securities on which the firm had made advances, and the difficulty experienced in collecting accounts due. It is stated that they lent largely to Western railways which were prostrated during the panic of 1873.

**THE FOURTH NATIONAL BANK.**—In the beginning of September a rumor was put into circulation (evidently for stock-gambling purposes) to the effect that some embarrassment existed in the affairs of this bank. The following correspondence shows how the slander was promptly met, and its quietus effectively given:

FOURTH NATIONAL BANK, NEW YORK, Sept. 7, 1875.

C. A. Meigs, *Esq., National Bank Examiner:*

DEAR SIR: Rumors unfavorable to the credit of this institution having reached my ears, and which are entirely without foundation, I hereby request that you will immediately make a most thorough examination of the affairs of this bank, and after having done so, that you will confidentially submit the

results to a special committee of officers of our neighboring banks, consisting of Messrs. George S. Coe, H. F. Vail, and B. B. Sherman, who have kindly agreed to act for that purpose. Respectfully yours,

(Signed)

P. C. CALHOUN, *President.*

NEW YORK, Sept. 10, 1875.

*P. C. Calhoun, Esq., President:*

DEAR SIR: In compliance with your note to me of 7th inst, I have to report that I have made a thorough examination of the affairs of the Fourth National Bank, New York, and have to-day submitted the results to the special committee of bank officers named by you. Yours, very respectfully,

CHAS. A. MEIGS, *National Bank Examiner of New York.*

NEW YORK, Sept. 10, 1875.

*P. C. Calhoun, Esq., President Fourth National Bank:*

DEAR SIR: In compliance with your request we have examined the statement of Charles A. Meigs, Esq., Bank Examiner, of the condition of your institution, and having implicit confidence in the correctness of his figures, we find that your bank is not only in condition to promptly meet all its liabilities, but that its capital is unimpaired.

(Signed)

GEORGE S. COE,

HENRY F. VAIL,

BENJAMIN B. SHERMAN,

} *Special Committee.*

CALIFORNIA.—Since our last monthly issue was sent to press, a period of intense excitement has marked the history of San Francisco. Its leading institution, the Bank of California, stopped payment on Thursday, August 26th, shortly before the usual hour for closing. A run was made on the National Gold Bank and Trust Co., but it continued to pay during that day. The next morning, in consequence of the excitement, and the impossibility of procuring further supplies of coin, the temporary suspension was announced of this bank and of the Merchants' Exchange Bank. Little or no apprehension prevailed as to the ultimate solvency of both the latter.

On the afternoon of the 27th, new and greatly increased agitation was caused by the death, from drowning, of Mr. William C. Ralston, President of the Bank of California and its real head for many years. Although the failure of this bank was attributed to the extended speculations of Mr. Ralston, his fault was generally lost sight of in the sudden death of one whose activity and public spirit had so long identified him with the growth and prosperity of San Francisco.

Arrangements were promptly made between the Mint at San Francisco and the Treasury Department at Washington, for transfers of coin credits from New York to the former city. Through these over a million dollars of coin became available, and on September 3d the Merchants' Exchange Bank was enabled to resume business. The National Gold Bank and Trust Co. began at once to effect settlements with its customers, and has since resumed.

The Directors of the Bank of California, having elected Mr. D. O. Mills to its presidency, at once began measures to renew its lost capital, and to re-establish its business. These efforts are understood to have been so successful that an early resumption is now regarded as certain.

A FAITHLESS BANK TELLER.—The Planters' National Bank of Louisville was robbed on September 2d, of a large sum of money, which was, however, all recovered. About daybreak the teller of the bank, Louis Rehm, was discovered near the bank on his way to the police station. He could hardly speak at first, but after awhile informed the detectives that three men had taken him from his bed during the night, proceeded to the bank and forced him to deliver the keys, with which they opened the safe and abstracted money. An experienced detective was called, who upon hearing this story regarded it as very weak, and had Rehm locked up at a hotel. The directors of the bank met, and after consultation came to the conclusion that Rehm's story was a fraud and he the robber. When so informed Rehm asserted his innocence repeatedly, but after an hour's time confessed to the detectives that he had robbed the safe the preceding night before 12 o'clock, carrying its contents home and burying them under his house. He was placed in jail.

**NEW YORK.**—The New York and Erie Bank, at Buffalo, has suspended, owing to the large amount of real estate which it has been compelled to receive from its debtors, and to losses sustained in its business. Mr. George S. Hazard has been appointed Receiver. It is believed the assets of the bank are nearly, if not quite, sufficient to pay its debts in full. The bank was organized about twenty-five years ago, the original capital being \$300,000. Its business for some time past has been small. The recent death of Mr. John S. Ganson, the president, precipitated the failure of the bank, he being its sole manager hitherto.

**WISCONSIN.**—The stockholders of the National Bank of Jefferson have voted that the bank go into liquidation, and be converted into the Jefferson County Bank, under a State charter, and with the same stockholders. The new bank began business on September 13, under the same officers as the old one, with a capital of \$60,000.

**WEST VIRGINIA.**—A daring robbery occurred at Huntington, on September 6th. The Cashier of the Bank of Huntington, Mr. Oney, was alone at noon, when three men entered and placing pistols at his head compelled him to open the safe. A colored man happened in at this moment and was also covered with a revolver and commanded to keep still, which he did. The robbers succeeded in getting possession of \$15,000, with which they decamped. A confederate had horses in waiting. An alarm was instantly given and the citizens and police started in pursuit, but failed to overtake the robbers, who all escaped.

**CANADA.**—The proposed amalgamation of the Royal Canadian Bank and the City Bank, Montreal, was ratified by the shareholders of the latter on September 16th.

*Another Faithless Teller.*—The Canadian Bank of Commerce discovered on September 13th, that the cash account of a teller named Nichols was short to a large amount, the defaulter having disappeared. The absconding teller was a quiet, unassuming, clever young man, a hard worker, and possessed the unbounded confidence of the manager of the bank. The deficiency is said to exceed \$50,000.

*The Jacques Cartier Bank* resumed business on September 11th. The bank does no discounting, and will not for some months to come.

H. Cottle, late cashier of the bank, was arrested on the same day at the instance of the Federal Government, on the charge of having issued false monthly reports.

## THE PREMIUM ON GOLD AT NEW YORK,

AUGUST—SEPTEMBER, 1875.

1874.	Lowest.	Highest.	1875.	Lowest.	Highest.	1875.	Lowest.	Highest.
August ..	9¼	10¼	Aug. 23 ..	13¼	13½	Sept. 9 ..	15¼	15¾
September 9¾	10¼	..	24 ..	13¼	13½	10 ..	15¾	17
October ..	9¾	10¾	25 ..	13¾	13½	11 ..	16¾	17½
Nov. ....	10	12¾	26 ..	13¾	13¾	13 ..	16	16¾
Dec. ....	11¾	12¾	27 ..	13¼	14¼	14 ..	16¼	17
1875.			28 ..	13¾	14	15 ..	16½	17
January ..	11¾	13¾	30 ..	14	14½	16 ..	16½	16¾
February ..	13¼	15¾	31 ..	14¾	14¾	17 ..	15¾	16¾
March ...	14½	17	Sept. 1 ..	14¾	14¾	18 ..	16¼	17
April ....	14	15½	2 ..	13¾	14¾	20 ..	16¾	17¼
May ..... 15	16¾	..	3 ..	14¾	14¾	21 ..	16¾	17¼
June ..... 15¼	17¾	..	4 ..	14¾	14¾	22 ..	16¼	16¾
July ..... 11¾	17¾	..	6 ..	14½	15	23 ..	16¾	16¾
August ..	12¾	14¾	7 ..	14¾	15¼	24 ..	16¾	16¾
			8 ..	14¾	15¼			





## NEW BANKS, BANKERS, AND SAVINGS BANKS.

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank and President.</i>	<i>N. Y. Correspondent and Cashier.</i>
COL....	Golden City....	Francis E. Everett.....	Ninth National Bank.
"	Rosita .....	Bank of Rosita .....	Chemical National Bank.
		Joseph R. Boyd, <i>Pr.</i>	W. A. Stuart, <i>Cas.</i>
ILL....	Robinson .....	Robinson Bank.....	Winslow, Lanier & Co.
		S. G. Swearingen, <i>Pr.</i>	A. P. Woodworth, <i>Cas.</i>
IND....	Richmond....	Richmond Savings Bank....	.....
		Mark E. Reeves, <i>Pr.</i>	William W. Dudley, <i>Cas.</i>
IOWA...	Creston .....	Harsh & Perrin.....	Third National Bank.
"	Bedford.....	First National Bank.....	.....
	\$ 50,000	E. T. Smith, <i>Pr.</i>	O. B. Wilson, <i>Cas.</i>
KAN....	El Dorado....	Butler County Bank.....	Donnell, Lawson & Co.
		W. P. Gossard, <i>Pr.</i>	A. H. Gossard, <i>Cas.</i>
MASS...	Georgetown...	Georgetown National Bank	Blackstone Nat. Bank, Boston.
	\$ 50,000	H. B. Chaplin, <i>Pr.</i>	Geo. H. Carleton, <i>Cas.</i>
MICH....	St. Louis.....	Darragh & Co.....	Fourth National Bank.
MO....	St. Joseph....	Farmers & Mech. Bank....	Donnell, Lawson & Co.
NEB....	Crete.....	A. W. Ocobock.....	Corbin Banking Co.
N. H....	Keene .....	Citizens' National Bank....	N. B. Commonwealth, Boston.
	\$ 100,000	Stephen D. Osborne, <i>Pr.</i>	Obed G. Dort, <i>Cas.</i>
N. Y....	Granville.....	National Bank of Granville.	Chatham National Bank.
	\$ 100,000	Daniel Woodard, Jr., <i>Pr.</i>	Geo. R. Thompson, <i>Cas.</i>
"	N. Y. City....	Central Trust Co.....	.....
OHIO...	Toledo .....	Commercial National Bank.	First National Bank.
	\$ 100,000	Cyrus H. Coy, <i>Pr.</i>	H. S. Halstead, <i>Cas.</i>
PENN...	Irwin .....	Far. & Miners' Dep. Bank.	Kountze Brothers.
UTAH...	Salt Lake City.	S. W. Sears.....	Kountze Brothers.
Vt.....	St. Johnsbury.	Merchants' National Bank.	Blackstone Nat. Bank, Boston.
	\$ 300,000	Fred. Fletcher, <i>Pr.</i>	Wm. E. Hazen, <i>Cas.</i>
Wis....	Brodhead .....	Bank of Brodhead.....	Central National Bank.
"	Jefferson.....	Jefferson County Bank.....	National Bank of Republic.
	\$ 60,000	Chas. Stoppenbach, <i>Pr.</i>	Edward McMahon, <i>Cas.</i>
"	Chilton.....	German Exchange Bank...	German American Bank.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS,

Authorized August 23 to September 23, 1875.

<i>No.</i>	<i>Name and Place.</i>	<i>President and Cashier.</i>	<i>Capital.</i>	
			<i>Authorized.</i>	<i>Paid.</i>
2294	National Bank of Granville, Granville, N. Y.	Daniel Woodard, Jr. .... George R. Thompson.	\$ 100,000	\$ 100,000
2295	Merchants' National Bank, St. Johnsbury, Vt.	Frederick Fletcher..... William E Hazen.	300,000	300,000
2296	Commercial National Bank, Toledo, OHIO.	Cyrus H. Coy..... H. S. Halstead.	100,000	100,000
2297	Georgetown National Bank, Georgetown, MASS.	Henry P. Chaplin..... George H. Carleton.	100,000	50,000
2298	First National Bank, Bedford, Iowa.	E. T. Smith..... O. B. Wilson.	50,000	50,000
2299	Citizen's National Bank, Keene, N. H.	Stephen D. Osborne..... Obed G. Dort.	100,000	100,000

## NOTES ON THE MONEY MARKET.

NEW YORK, SEPTEMBER 22, 1875.

*Exchange on London at sixty days' sight, 4'80 a 4'80½, in gold.*

The two chief topics of the month are the rise in gold and the failure of the Bank of California. As to the last named event, we give some account of it elsewhere. Its causes are simple. The Directors of that great institution left too much of their work to be done by the President, Mr. Ralston. He, on his part, was overwhelmed with private business, ambitious speculations, and monetary ventures. In a similar case in Paris, the creditors of an insolvent credit institution brought suit against the negligent Directors, and have lately recovered heavy damages. Whether under the law of California similar redress could be hoped for, we do not know. The necessity for testing this question will, perhaps, be avoided, if the pending efforts to resuscitate the Bank result as favorably as is anticipated. A great authority on banking has said that the business of a banker is one of the simplest and safest that a man can pursue, if he will only learn and remember the difference between a mortgage and a commercial note. The first he has to reject, or it will ruin him. The second is what he has to deal in as a banker, and his dealings, if prudent and judicious, will not fail to add to his credit and wealth. It was because Mr. Ralston had never learned, or had ceased to practice, this cardinal rule of banking that, in an evil hour, he was led into the perilous paths which brought him and his bank to disaster.

The second point of interest is the rise of gold. Several causes are assigned for the advance. First, gold is for the moment scarce for delivery. Over a million has been locked up in the Treasury here, on account of shipments of gold to California. The recent shipments to Europe have also tended to deplete the supply of cash gold. The clique, taking advantage of these and other circumstances, have tried to put up the premium. They have only in part succeeded, as will be seen from the quotations below, and the belief is that this artificial advance will be but temporary. In the stock market there is no movement of special interest.

QUOTATIONS:	Aug. 25.	Sept. 1.	Sept. 8.	Sept. 15.	Sept. 22.
Gold.....	113½ ..	114½ ..	115½ ..	116½ ..	116½
U. S. 5-20s, 1867 Coup.	120¼ ..	119½ ..	120½ ..	120½ ..	120½
U. S. new Fives Coup.	116½ ..	116½ ..	117½ ..	118½ ..	118½
West. Union Tel. Co..	84¼ ..	78½ ..	80½ ..	78½ ..	75½
N. Y. C. & Hudson R.	104½ ..	103½ ..	105 ..	102½ ..	102½
Lake Shore.....	61¾ ..	58¾ ..	57½ ..	52½ ..	53¾
Chicago & Rock Island	108 ..	107½ ..	107½ ..	106½ ..	107½
New Jersey Central...	111 ..	109½ ..	110½ ..	110½ ..	110½
Erie.....	15½ ..	15½ ..	18½ ..	18½ ..	16½
Union Pacific.....	73 ..	73 ..	73 ..	72½ ..	70½
Bills on London.....	4.86¼a4.87 ..	4.84¼a4.85 ..	4.84a4.84½ ..	4.80a4.80½ ..	4.80a4.80½
Treasury balances, cur.	\$61,792,823 ..	\$61,223,265 ..	\$60,039,456 ..	\$58,393,083 ..	\$58,583,833
Do. do. gold	36,222,436 ..	36,652,835 ..	36,638,625 ..	34,862,349 ..	34,841,276

The money market is unchanged. A good deal of currency has been shipped to the interior, and an attempt was made this week to put up rates, but the plethora of loanable funds is too large. Call loans are quoted at a per cent, and discounts at 5 per cent.

1875.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Exchanges.
Aug. 30....	\$281,336,900 ..	\$12,045,100 ..	\$70,508,700 ..	\$18,021,000 ..	\$246,646,700 ..	\$302,435,507
Sept. 6....	282,834,300 ..	10,210,300 ..	70,606,300 ..	18,125,400 ..	243,788,800 ..	389,942,661
" 13....	283,443,200 ..	9,378,200 ..	69,185,200 ..	17,756,200 ..	242,604,200 ..	352,728,401
" 20....	282,071,800 ..	7,386,500 ..	67,938,000 ..	17,754,800 ..	239,880,400 ..	411,149,485

The Boston Clearing-House statements compare as follows:

1875.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.
Aug. 30.....	\$133,557,800 ..	\$915,200 ..	\$8,997,400 ..	\$24,655,700 ..	\$75,939,700
Sept. 6.....	132,998,300 ..	873,300 ..	9,416,900 ..	24,959,000 ..	76,795,200
" 13.....	134,467,300 ..	742,800 ..	9,529,200 ..	24,812,100 ..	76,987,700
" 20.....	134,997,100 ..	480,800 ..	9,888,000 ..	24,885,800 ..	77,755,200

The Philadelphia statements are as follows:

1875.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Aug. 30.....	\$61,720,128 ..	\$309,560 ..	\$14,234,297 ..	\$49,456,666 ..	\$11,059,610
Sept. 6.....	61,586,926 ..	327,147 ..	14,314,511 ..	49,562,915 ..	11,028,481
" 13.....	62,047,426 ..	240,480 ..	14,026,088 ..	49,314,496 ..	11,101,488
" 20.....	62,317,600 ..	167,476 ..	14,071,761 ..	48,688,021 ..	11,188,217

The total outstanding circulation of the National banks, with the amount of bonds deposited in Washington, compare as follows:

Week ending	Notes in circulation.	Bonds for Circulation.	Bonds for U. S. deposits.	Total bonds.	Coin in Treasury.	Coin Certificates.
May 15....	\$350,459,189 ..	\$379,198,900 ..	\$16,017,200 ..	\$395,216,100 ..	\$92,205,130 ..	\$20,848,600
May 22....	350,012,329 ..	379,186,900 ..	15,967,200 ..	395,154,100 ..	92,551,522 ..	20,119,800
June 5....	350,780,279 ..	378,938,900 ..	15,917,200 ..	394,856,100 ..	83,927,204 ..	19,777,200
June 12....	349,257,859 ..	378,176,400 ..	15,942,200 ..	394,118,600 ..	83,608,659 ..	19,248,300
June 19....	348,994,474 ..	376,860,400 ..	15,892,200 ..	392,752,600 ..	77,016,446 ..	19,803,100
June 26....	349,462,839 ..	376,585,600 ..	15,817,200 ..	392,402,800 ..	69,945,673 ..	18,489,700
July 3....	349,285,309 ..	375,735,000 ..	15,792,200 ..	391,527,200 ..	.....	.....
July 10....	349,735,164 ..	375,333,000 ..	15,792,200 ..	391,125,200 ..	69,608,526 ..	23,673,800
July 17....	351,613,724 ..	375,197,362 ..	15,792,200 ..	390,989,562 ..	68,860,027 ..	23,309,400
July 24....	350,764,469 ..	374,753,362 ..	18,792,200 ..	393,545,562 ..	66,926,937 ..	22,628,300
July 31....	349,835,249 ..	374,894,362 ..	18,792,200 ..	393,686,562 ..	.....	.....
Aug. 7....	348,937,939 ..	374,927,862 ..	18,792,200 ..	393,720,062 ..	71,953,412 ..	22,657,200
Aug. 14....	349,205,093 ..	374,917,762 ..	18,792,200 ..	393,709,962 ..	70,716,887 ..	19,740,700
Aug. 21....	349,130,000 ..	374,788,762 ..	18,792,200 ..	393,580,962 ..	70,738,807 ..	18,561,000
Aug. 28....	348,725,018 ..	374,531,762 ..	18,792,200 ..	393,323,962 ..	70,223,690 ..	17,510,400
Sept. 4....	348,011,138 ..	373,812,762 ..	18,792,200 ..	392,604,962 ..	.....	.....
Sept. 17....	347,980,000 ..	373,382,762 ..	18,792,200 ..	392,174,962 ..	66,730,316 ..	16,389,400

A number of conflicting estimates are current as to the amount of specie held in the United States. After the outbreak of the War an active discussion arose on this subject. In 1861 Secretary Chase made a report to Congress, in which he made the following remark: "No means exist of ascertaining, with absolute certainty, the quantity of coin now in the United States; but the best accessible data lead the Secretary to concur in the judgment of the Director of the Mint, that the amount is between \$275,000,000 and \$300,000,000."

As to the present aggregate of coin to bullion in the United States, the report of Dr. H. R. Linderman, Director of the Mint, to Hon. B. H. Bristow, Secretary of the Treasury, dated October 13, 1874, gives the following information: "The

amount of specie in the country, according to the official reports of the Treasurer of the United States and the Comptroller of the Currency, is as follows: Held by the Treasury and National Banks, at the close of the fiscal year ending June 30, 1872, in coin, \$98,389,864.39; estimated coin in Pacific coast States and Territories, \$20,000,000; in the hands of the banks and people, \$10,000,000; making a total of \$128,389,864.49. Add to this two years' product of the United States mines, \$140,000,000, and imports of coin and bullion for two years, say \$49,695,343, and we have a total of \$318,085,207.49 for the two years ending June 30, 1874; then deducting the amount of coin exported during the two years ending June 30, 1874, which is \$151,238,979, and we have the total estimated stock of bullion on hand, \$166,846,228.49 to June 30, 1874."

The exports of produce from New York for the week ending Sept. 21, amount to \$4,620,232, against \$4,354,724 for the corresponding week in 1874, and \$6,501,318 in 1873. The total exports of produce from the port since Jan 1, this year, are \$181,342,387, against \$212,710,745 for the corresponding period of 1874, and \$208,673,287 of 1873. From New York the exports of wheat and wheat flour, from January to July, compare as follows:

	<i>Wheat.</i>		<i>Wheat Flour.</i>	
	1874.	1875.	1874.	1875.
In July, bush.....	3,688,950	4,011,621	183,344	205,752
Since January 1, bush.	23,290,750	14,650,208	1,365,480	1,129,041
	26,979,700	18,661,829	1,548,824	1,334,793

Till lately the receipts of wheat at the Lake ports show no improvement in quantity, although it is now generally conceded that the crop is a very large one. It seems that the accounts of the damage done to the European crops have been much exaggerated, and that all the Continental countries will have a surplus only less than last year's, excepting perhaps France, which has a product nearly sufficient for home consumption. From Denmark and Sweden the accounts are of large surplus for export, while South Australia (a new wheat-growing country) is reported as having a surplus of 7,000,000 bushels, of which 1,500,000 bushels have already been shipped.

During the last fortnight the receipts of grain at the Lake ports have been increasing, with a more active movement of breadstuffs toward tide-water, especially from Buffalo. If the abundant crops of the West can be set in motion toward the sea-board, and if the prices are such as will justify the shipment of these products, the movement may be regarded as hopeful. James Caird, whom the *London Times* considers high authority, writes to that journal that "the publication of the returns of acreage exhibits the smallest breadth of wheat we have had since the returns have been taken, and 500,000 acres less than the average extent previous to 1860, when we had 4,000,000 fewer people. The decrease in Ireland has been 14 per cent. from 1874, and in Great Britain the decrease has been nearly 8 per cent. He estimates the amount of wheat required from abroad at 11,000,000 quarters," or 88 millions of bushels, of which two-thirds may be expected to be bought from this country, if our prices will justify the purchase.

The London Credit Foncier, once a powerful banking institution, is in trouble, and a call of £2 10s. per share has been made upon the stockholders. The capital was one million and a half, of which a million and a quarter was paid up. The Company had a reserve of £100,000, while this was at a discount of 45 per cent. Its standing was not good, but it had done a large business in both England and France, having floated many financial schemes. Among the assets are a large amount of worthless continental real estate and miscellaneous securities.

The production of iron and steel in the United States in 1872, 1873 and 1874 is reported by the American Iron and Steel Association as follows:

	1872.	1873.	1874.
Products, net tons, pig iron.....	2,854,550	2,868,278	2,689,413
All rolled iron, including nails.....	1,941,992	1,966,445	1,839,560
All rolled iron including nails and excluding rails	941,992	1,076,368	1,110,147
Rails of all kinds.....	1,000,000	890,077	729,413
Bessemer steel rails.....	94,070	129,015	144,944
Iron and all other rails.....	905,930	761,062	584,469
Street rails.....	15,000	9,430	6,739
Kegs of cut nails and spikes.....	4,065,322	4,024,704	4,912,180
Merchantable Bessemer steel other than rails....	16,430	27,985	31,635
Total of merchantable Bessemer steel.....	110,500	157,000	176,579
Crucible cast steel.....	27,260	32,786	34,128
Open-hearth steel.....	3,000	3,500	7,000
All other steel.....	7,740	13,714	6,353
Blooms from ore and pig iron.....	58,000	62,564	61,670

These figures, if accurate, show that this country produced in 1874 much more iron products than any person familiar with trade has ever imagined. Of pig iron we produced only 178,865 net tons less than in 1873. Of all rolled iron, rails included, we produced only 126,885 net tons less than in 1873; and of all rolled iron, excluding rails, we actually produced 33,779 net tons more than in 1873. Moreover, the ability of the country to consume iron and steel, since the occurrence of the panic, is greater than has been generally recognized, otherwise so much of these products would not have been made.

Mr. Wolowski, in his recent report on the Budget, predicts that the aggregate foreign commerce for France, of the year 1875, will reach eight milliards, or \$1,600,000,000. The imports of France during 1874 are officially reported at 3,748,011,000f., and the exports at 3,877,753,000f., making a total of 7,625,764,000f. This exceeds any former year, the total in 1873 being 7,342,000,000f., and in 1872 7,332,000,000f. The year of the War, 1870-1871, affords no fair comparison; but, as compared with 1868, the past year shows an increase of 1,398,000,000f. As regards the imports of natural productions and materials, they exhibit an increase of 263,799,000f. over 1868, and as regards the exports of manufactured articles one of 595,454,000f. Up to July last, French commerce was below the figures of the previous year, while the exports fell below the imports; but an improvement afterwards set in, and the result of the whole year is an increase of nearly 284,000,000f. over the previous twelve months, the exports being, moreover, 13,000,000f. in excess of the imports.

The question of defaulting bonds was discussed at the recent Conference of International Law at Geneva; Mr. Gerstenberg, President of the Council of Foreign Bondholders, made the subjoined remarks: "A short time ago Greece was the only defaulting State in Europe; now Spain was in the same position, and there were other European Governments which, although not defaulters, did not strictly fulfill the obligations to which they had bound themselves. In America, before 1864, Ecuador was the only State that did not pay its debts; since then, Venezuela, Paraguay, Mexico, and several of the Central American States, were to be ranked in the same category; and in the United States there were Florida, Alabama, North and South Carolina, Virginia, etc., in which financial treaty obligations had been broken in some cases and entirely repudiated in others. The Council of Foreign Bondholders, of which he was chairman, in such cases proceeded to treat a State as they would an individual. If it could show that its difficulties resulted from force majeure, they said to the debtor, You must in the first place prove that you cannot pay all; secondly, you must pay what you can and owe the rest; and thirdly, you must provide us with such security in territory or

dues as the nature of the case will admit. With respect to the East, they had nothing to complain of. Japan had contracted two loans, which had been of great service to her, and had returned a good rate of interest to the holders, and he congratulated his Excellency M. Kawase upon the result."

As to the growth of the National Banking system during the last five years, a contemporary has compiled the subjoined tables, showing the bank aggregates in the different sections of the country in 1870 and 1875:

## NEW ENGLAND STATES.

	June 30, 1875.		June 9, 1870.		
Capital stock.....	\$ 163,864,888	....	\$ 152,913,632	....	Inc.. 7.16
Notes outstanding.....	107,467,462	....	103,643,299	....	Inc.. 3.69
Individual deposits.....	119,157,320	....	88,559,034	....	Inc.. 34.55
Loans and discounts.....	262,107,788	....	151,804,682	....	Inc.. 72.65

## MIDDLE STATES.

Capital stock.....	\$ 192,286,443	....	\$ 188,765,869	....	Inc.. 1.86
Notes outstanding.....	111,234,523	....	122,433,139	....	Dec.. 8.13
Individual deposits.....	387,294,901	....	352,864,225	....	Inc.. 9.33
Loans and discounts.....	450,266,914	....	378,814,944	....	Inc.. 24.14

## SOUTHERN STATES.

Capital stock.....	\$ 34,506,100	....	\$ 15,124,200	....	Inc.. 127.11
Notes outstanding.....	25,239,515	....	11,100,452	....	Inc.. 127.41
Individual deposits.....	33,339,233	....	18,944,482	....	Inc.. 76.60
Loans and discounts.....	48,059,908	....	23,136,854	....	Inc.. 107.17

## WESTERN AND PACIFIC STATES AND TERRITORIES.

Capital stock.....	\$ 110,908,332	....	\$ 71,436,000	....	Inc.. 54.30
Notes outstanding.....	73,461,790	....	52,006,454	....	Inc.. 41.13
Individual deposits.....	146,568,069	....	86,367,768	....	Inc.. 69.62
Loans and discounts.....	208,075,257	....	114,386,696	....	Inc.. 81.11

The percentages of circulation to capital and of deposits to loans, in each of the four sections, compare as follows:

	Percentage of Deposits to Loans.			Percentage of Circulation to Capital.	
	1875.	1870.		1875.	1870.
New England.....	45.45	58.35	....	65.61	67.78
Middle States.....	86.02	93.	....	57.85	64.86
Southern States.....	69.37	81.88	....	73.16	73.59
Western States.....	70.45	75.57	....	66.24	72.79

## DEATHS.

At SAN FRANCISCO, Cal., on Monday, August 23d, aged thirty-four years, CHRISTOPHER J. LYSTER, Cashier of the People's National Bank of Helena, Montana.

At SAN FRANCISCO, Cal., by drowning, on Friday, August 27th, aged forty-eight years, WILLIAM C. RALSTON, late President of the Bank of California.

At BUFFALO, N. Y., on Monday, August 30th, aged seventy-three years, JOHN S. GANSON, President of the New York and Erie Bank, of Buffalo.

At WEST POINT, N. Y., on Monday, September 13th, aged fifty-three years, EDWIN MCNEIL, President of the First National Bank of Litchfield, Conn.

THE  
**BANKER'S MAGAZINE,**  
AND  
**Statistical Register.**

---

VOLUME X, }  
THIRD SERIES. }

NOVEMBER, 1875.

No. 5.

---

THE MONEY MARKETS AND OUR BANKING LAWS.

The two advances just made in the rate of the Bank of England remind us that all the money markets of Europe and of the world have exhibited unusual quietude during the last few months. It is fortunate that the recent inflationist agitation in this country occurred at a time when our foreign exchanges were not disturbed by monetary trouble abroad. Like other young countries, we are so dependent on the accumulated capital of older nations, and so large an amount of our commerce is carried on with this foreign capital, that a feverish condition of the money markets abroad is always suggestive of responsive trouble in some part or other of our own financial machinery. From such apprehensions we have been, happily, free of late. Hence the paper money agitation has lacked one possible element of evil. Another advantage has been that the recent changes in the organic laws of our banking system have worked less mischief, as yet, than was generally looked for.

A question of much practical interest, both in this point of view and to our mercantile interests in general, has just received elucidation from some statistics published by the Currency Bureau at Washington. We refer to the effects produced by the recent Banking legislation of Congress. This legislation comprehends two statutes, of which the first, in June, 1874, allowed the National Banks to withdraw their bonds from Washington, and to give up their circulation by the deposit of greenbacks for the amount of the bank-notes issued upon the bonds. The extent to which the banks would avail themselves of this privilege was warmly disputed. Some people contended that the privilege of issuing bank-notes was so valuable, and brought such enormous profits to the banks, that it was ridiculous to suppose that they would give up



their circulation without compulsion, and of their own accord. On the other side, it was argued that the profits referred to were overestimated, and that the National Banks are divisible into three classes. First, country banks, which make small profits on their other business, and larger profits on their circulation. These banks can not exist without the note-issuing privilege, and would dwindle and perish if it were taken away from them. Another class of banks, like those in New York city, do not need circulation as a means of earning profits, and would be very likely to embrace the opportunity of getting their bonds from Washington by the sacrifice of the note-issuing privilege. A third, and very numerous class, derive some aid from their circulation; but the question was mooted whether this aid was not so reduced in value by the changes present and prospective of the financial system of this country, that a large number of banks in the chief cities of the richer States would be likely to give up or diminish their issues of notes.

Between these two contending parties the controversy is still kept up. Perhaps a sufficient time has not elapsed for the full development of the effects of the law, but we trust the Comptroller will take the pains in his next report to trace out the results of the law and its specific operation upon the three classes of banks. Some interesting information is given in the subjoined table, which shows how the law has operated during the first fifteen months of its existence. It has withdrawn 25 millions of bank-notes, of which more than half have been given up by the banks in the States of New York, Illinois, Missouri and Indiana. What is wanting by way of further information is a tabular statement of the groups of banking cities, in which this new movement of surrendering the circulation has shown the most activity at different periods. Subjoined is the table:

#### OPERATION OF THE BANK-NOTE CONTRACTION LAW.

LEGAL TENDERS DEPOSITED JUNE 20, 1874, TO SEPT. 30, 1875, INCLUSIVE.

<i>Act June 20, 1874. Total.</i>		<i>Act June 20, 1874. Total.</i>	
Maine .....	41,200	Texas .....	112,440 . 112,440
New Hampshire. ....	27,400	Arkansas .....	90,000 . 90,000
Vermont .....	60,500	Kentucky ....	471,500 . 471,500
Massachusetts ...	605,000 . 701,400	Tennessee .....	360,259 . 508,260
Rhode Island....	153,900 . 153,900	Missouri.....	2,840,350 . 2,875,750
Connecticut ....	364,700 . 391,750	Ohio .....	172,950 . 364,750
New York .....	7,786,050 . 8,243,795	Indiana .....	1,894,850 . 2,156,032
New Jersey .....	329,840 . 352,900	Illinois .....	3,703,600 . 4,171,500
Pennsylvania ....	322,700 . 605,107	Michigan .....	640,300 . 667,300
Maryland .....	270,000 . 436,600	Wisconsin .....	620,400 . 910,200
Dist. of Columbia	..... . 249,219	Iowa .....	963,250 . 1,140,138
Virginia .....	432,100 . 1,037,379	Minnesota .....	693,050 . 702,050
West Virginia ...	180,000 . 826,900	Kansas .....	103,500 . 504,071
North Carolina ..	279,900 . 279,900	Nebraska .....	40,480 . 40,480
South Carolina ..	618,580 . 618,580	Colorado .....	..... . 50,925
Georgia .....	326,000 . 495,000	Utah .....	196,800 . 270,000
Louisiana .....	443,250 . 1,015,312	Montana .....	27,000 . 27,000

Totals, including deposits of insolvent and liquidating banks \$25,042,749 \$30,599,238

The second law to which we referred was passed in January, 1875. It authorized the creation of new National Banks without limit. It repealed the old maximum of the bank-note circulation, which was fixed in the law of 1864 at 300 millions, and was afterward extended to 354 millions, 12th of July, 1870. This limit was given up by the law of January, 1875, and, as we have said, the National Banking system is allowed to issue notes without limitation. But, for every \$100 of bank-notes emitted, \$80 of greenbacks are to be withdrawn, till the greenback aggregate is reduced to 300 millions. This statute is known as the Free Banking law, and its enactment was expected to cause an immediate and extensive enlargement of the volume of the currency. The following table gives the official figures, showing the actual results of the law for nine months after its passage :

#### OPERATION OF THE FREE BANKING LAW.

BANKS ORGANIZED SINCE JANUARY 14, 1875, WITH THEIR CAPITAL AND THE CIRCULATION ISSUED THEREON UP TO SEPTEMBER 30, 1875, INCLUSIVE.

<i>Place.</i>	<i>No. of Banks.</i>	<i>Capital.</i>	<i>Circulation.</i>
Maine .....	5	525,000	256,500
New Hampshire.....	2	200,000	90,000
Vermont .....	4	650,000	72,000
Massachusetts .....	13	2,480,000	618,500
Connecticut.....	1	100,000	31,500
New York.....	7	530,000	321,300
New Jersey.....	4	400,000	237,000
Pennsylvania .....	26	3,115,000	902,650
Virginia.....	1	74,000	27,000
Kentucky .....	2	200,000	58,500
Tennessee.....	1	50,000	45,000
Missouri .....	1	50,000	27,000
Ohio.....	5	210,000	97,380
Indiana .....	2	150,000	63,900
Illinois.....	4	200,000	81,000
Iowa.....	3	150,000	58,500
Minnesota.....	1	100,000	36,000
Colorado .....	1	50,000	.....
Total.....	83	\$9,234,000	\$3,023,730

Additional circulation issued since Jan. 14 to banks organized prior to that date, \$ 7,194,845; total currency banks, \$ 10,218,575.

We have expounded so lately the reasons which counteracted the anticipated inflation, that we need do no more in this place than to call attention to the fact that in the West and South where it was pretended that new banks were chiefly wanted, the increase of the banks has been very restricted. While, however, the friends of a sound currency congratulate themselves that the Free Banking law has caused so little inflation, they must remember that it has scarcely had time as yet to develop the full force of its powers for a mischievous expansion, both of the currency and of credits.

## SAVINGS BANKS DEPOSITS AND OUR OPERATIVES.

Among the various expedients by which the wages classes have been elevated during the industrial revolution which has been so remarkable a characteristic of the past thirty years, one of the best is, the growth of savings banks. The reports of the New England savings institutions have reached us for the year 1874-5, and show the following results as compared with the previous three years :

## DEPOSITS OF THE NEW YORK AND NEW ENGLAND SAVINGS BANKS.

States.	Number of Depositors.			
	1871-2.	1872-3.	1873-4.	1874-5.
Maine.....	69,411 ..	81,320 ..	90,398 ..	96,799 ..
New Hampshire .....	86,791 ..	94,967 ..	92,501 ..	96,938 ..
Vermont .....	15,988 ..	15,988 ..	16,200 ..	42,067 ..
Rhode Island .....	80,076 ..	88,664 ..	93,124 ..	98,359 ..
Massachusetts .....	561,001 ..	630,246 ..	666,229 ..	702,198 ..
Connecticut .....	178,087 ..	201,742 ..	205,510 ..	187,427 ..
Total New England....	991,354 ..	1,112,927 ..	1,153,962 ..	1,223,788 ..
New York.....	776,700 ..	822,642 ..	839,472 ..	872,400 ..

States.	Amount of Deposits.			
	1871-2.	1872-3.	1873-4.	1874-5.
Maine.....	22,787,802 ..	26,154,331 ..	29,556,498 ..	29,610,193 ..
New Hampshire ....	24,700,744 ..	28,462,310 ..	28,921,502 ..	30,062,839 ..
Vermont .....	4,438,268 ..	4,881,789 ..	5,751,002 ..	7,590,592 ..
Rhode Island .....	36,385,108 ..	42,583,535 ..	46,617,164 ..	48,775,285 ..
Massachusetts .....	163,704,077 ..	184,797,314 ..	202,195,343 ..	217,461,033 ..
Connecticut.....	62,717,814 ..	68,523,400 ..	72,205,624 ..	70,998,693 ..
Total New England..	\$314,733,813	\$355,702,679	\$385,247,135	\$404,498,635
New York.....	267,905,866	285,286,621	285,520,083	308,225,710

In the State of Connecticut there is a falling off in the deposits of \$1,206,931. This is a heavy decline, and shows the severity of the pressure of the times. What is remarkable is that none but the smaller depositors seem to have drawn out their money. Thus, while the sum of \$1,206,931 has disappeared from the deposits, 18,083 names have disappeared from the list of depositors. This gives an average of \$66.74 to each retiring depositor. But this sum is less than one-fifth of the average deposits, which amount to \$378.81 this year against \$361.34 for the year previous. Hence, we see that for every depositor in Connecticut who has drawn his money out of the savings banks ten depositors have not done so, and these ten have an average of deposits \$27 greater than last year. Thus it is only the weaker and less frugal of the savings bank depositors which seem to have suffered. This fact enables us to understand how it is that in every State but Connecticut, whose savings bank figures are tabu-

lated above, there is an absolute increase in the aggregate of the deposits as well as in the number of depositors.

The history of savings banks in this country and abroad has been closely connected every step with the growth and progress of free institutions. The first savings bank was established two years after the establishment of American independence. The following year, 1789, the second savings bank on record was set up in Switzerland, where the system has grown with such rapidity that with 2,670,000 people there are 303 banks and \$57,600,000 of deposits, while France has only 1,242 banks with \$114,000,000 of deposits, and England has 5,334 banks with \$328,365,000 of deposits. Moreover, as the savings bank deposits throughout Europe, excepting Russia and Turkey, amount to \$1,180,000,000, the average deposit per head in Europe is \$5.60. In England, \$9.60. In France, \$3.16, and in Switzerland, \$17. Among every 100 inhabitants there are in France 6 depositors, in England 9, and in Switzerland 20. It would not be easy to trace out the numerous advantages of a moral and material character which have been produced by this rapid extension of the savings bank system in a country so destitute of some important productive facilities as Switzerland. Shut out from other investments for their frugal savings, the people of necessity are driven to avail themselves of the savings bank to a greater extent than are the inhabitants of those countries where other investments are so constantly offering new temptations to capital. In many Swiss villages banks have been established by a sort of joint-action of the Government and of the depositors. The State guarantees the safety of the deposits. Very small sums are received. Depositors have to bind themselves to pay in a fixed sum per week. The minimum is 19 cents. The maximum is \$10. This payment must be continued for three years. After the deposits amount to \$1, interest is paid upon it at the rate of  $4\frac{1}{2}$  per cent. Depositors are entitled to loans, equal to 75 per cent. of the sums to their credit. They pay 6 per cent. interest. Some of the banks oblige the borrowers to repay them by one-tenth every month. They also loan capital to co-operative associations, the business being under the control of the bank until the advances are repaid. In the Canton of Vaud co-operative societies have been organized by the agency of two of these banks among tailors, tin-workers, printers, painters, and plasterers. At the end of three years a depositor receives the sum to his credit, with the interest that has accumulated during that time, and a proportionate share of the profits of the bank. He may then, if he chooses, re-invest it in \$20 shares, which bear interest at  $4\frac{1}{2}$  per cent. and entitle him to a larger proportion of the profits than the non-stockholding depositor receives. The first of these Government banks was founded in 1865. They have all been successful, though some have, of course, outstripped others. The first one in the Canton of Vaud was started in 1867. It then had 93 members and \$175 of capital. At present its capital is \$13,000. It does an average weekly business of \$6,000.

## CLEARING-HOUSE SYSTEM OF THE UNITED STATES.

The New York Clearing-House held its twenty-second annual meeting on the second Tuesday in October, as is reported elsewhere. The currency exchanges of the year amounted to \$23,042,276,858.47; and the currency balances to \$1,104,346,845.32. The gold exchanges amounted to \$108,940,058.85, and the gold balances to \$18,284,429.61. Thus the total transactions of the year amounted to \$24,273,848,192.25, showing an average for the year of \$79,326,301.28. During the last 22 years the total transactions have amounted to \$438,200,331,519.64. There are 59 banks in the Clearing-House, of which 15 are State Banks and the rest are National Banks. It will be seen that the business shows an improvement upon last year, though it is below the average of previous years. This report is very interesting. It reminds us, among other things, how vast is the aggregate of the business of this country. The exchanges of our banks constitute no more than a part of their operations, yet their exchanges alone amount, as is seen, to 23,000 millions a year, which is about as much as the average of the London Clearing-House for the last seven years. Secondly, we see how great is the saving of currency effected by this greatest of modern improvements in banking methods. The 23,000 millions of debts above reported, were paid by the use of no more than 1,104 millions of currency. Thirdly, the Clearing-House system is in some respects more fully developed in this country than in Europe. In England, for example, there are no Clearing-Houses outside of London, except that of Manchester. But, in this country, we have a considerable number of Clearing-Houses in the interior, all of which are in daily operation, while most of them have been established many years.

In our June and August numbers have appeared some statistics respecting the rise and progress of American Clearing-Houses. To the list of 14 we now add two others, viz.: those of Worcester, Mass., and Cleveland, Ohio.

The Cleveland Clearing-House Association was established December 28th, 1858. It now comprises 9 banks. Its exchanges are made every day at 1 P.M., and the balances are paid the next day by draft on New York. The President of the Association is Truman P. Handy, and Mr. Alfred H. Wick is the Secretary. We have no record of the amount of the transactions.

The Worcester Clearing-House readily establishes its claim to be the pioneer of the clearing system in the interior cities, by reference to the *BANKER'S MAGAZINE* for 1863 (Vol. xviii, pp. 474-5), where its Constitution and Articles of Agreement appear in full. It is, therefore, the fifth in order of seniority, preceded only

by New York, Boston, Philadelphia, and Baltimore, and has been in successful operation since 1861. Its present Articles of Association, differing but slightly from those originally adopted, are simple, concise, and easy to be understood. The balances are paid to the creditor banks by check of the clearing bank upon its correspondent in Boston, the debtor banks paying the clearing bank, also by check on Boston. This is the system alluded to by us as the New Haven method, but which more properly should be called, hereafter, the Worcester method of settlement. It is practically the same as that described by Mr. Patterson in our June number (page 931) as prevailing in London.

Each member of the Association having a capital of \$250,000 or less deposits \$1,000, and each member having a larger capital deposits \$1,500, as its proportion of the clearing fund required by sec. 7. The whole number of banks members of the Association is nine, and the amount of clearing fund deposited \$11,500, representing a capital of \$2,550,000. The business of several years is as follows:

<i>Year.</i>	<i>Exchanges.</i>		<i>Balances.</i>
1861.....	\$6,051,763 44	....	\$1,517,131 03
1870.....	15,086,236 88	....	4,797,369 29
1873.....	29,021,671 96	....	9,328,295 17
1874.....	29,021,632 10	....	9,568,497 56

## THE DECLINE IN EMIGRATION.

There has been a notable falling off in the number of immigrants in the past year. The causes of this decline are of two general kinds. First, this country, since the panic of 1873, has offered fewer inducements to unskilled and incompetent laborers to come here. Secondly, foreign governments have taken steps to check emigration, and the condition of the working classes abroad has been improved by ampler wages and other benefits resulting from the financial and industrial activity developed in Europe since 1870, by the Franco-German war, and by the enormous displacement of floating capital which the war produced by the payment of the indemnity, and otherwise. Thus it appears that changes here and abroad have been working together toward this one result, and it would be extremely interesting to trace the effect of these new forces in changing the proportion of those elements of the European population which are attracted to this country. As an addition to our previous statistics on this subject, we have obtained from the Commissioners of Emigration the subjoined table, which shows the precise character of the immigration at this port, so far as nationality is concerned. The report extends from January last, to the end of September. It not only shows the number of foreigners and citizens who came

here from each foreign country, but it exhibits also the aggregate for each month. Subjoined is the table of the Commissioners:

## IMMIGRATION AT NEW YORK, JAN. 1, 1875, TO SEPT. 30, 1875.

Country.	Steerage.			Cabin.			Grand Total.
	Aliens.	Naturalized Citizens.	Total.	Aliens.	Naturalized Citizens.	Total.	
Austria .....	827	87	914	50	79	129	1,043
Australia .....	2	5	7	1	2	3	10
Asia .....	2	..	2	..	..	..	2
Africa .....	3	2	5	..	1	1	6
British America..	..	..	..	..	4	4	4
Belgium .....	116	46	162	31	28	59	221
Bohemia .....	2,446	112	2,558	8	25	33	2,591
Canada .....	63	20	83	63	47	110	193
China .....	1	1	2	60	..	60	62
Central America..	..	..	..	24	40	64	64
Denmark .....	1,565	258	1,823	48	47	95	1,918
East India .....	8	4	12	13	23	36	48
England .....	6,738	4,098	10,836	1,728	1,393	3,121	13,957
France .....	1,164	350	1,514	457	466	923	2,437
Germany .....	18,324	4,686	23,010	2,002	3,350	5,352	28,362
Greece .....	9	1	10	..	..	..	10
Hungary .....	702	33	735	11	21	32	767
Holland .....	616	156	772	90	60	150	922
Isle of Man.....	39	20	59	..	..	..	59
Ireland .....	17,195	5,002	22,197	300	473	773	22,970
Japan .....	..	..	..	..	2	2	2
Italy .....	1,795	241	2,036	90	89	179	2,215
Iceland .....	3	..	3	..	..	..	3
Luxembourg.....	136	45	181	2	11	13	194
Malta .....	1	1	2	..	..	..	2
Mexico .....	1	..	1	14	11	25	26
Norway .....	2,486	268	2,754	44	2	46	2,000
New Brunswick..	27	6	33	..	..	..	33
Nova Scotia.....	9	21	30	3	..	3	33
New Providence..	..	..	..	..	..	..	..
Portugal .....	3	4	7	18	6	24	31
Roumania .....	..	..	..	2	..	2	2
Russia .....	2,656	91	2,747	72	43	115	2,862
Switzerland .....	1,031	234	1,265	86	56	142	1,407
Scotland .....	2,054	1,226	3,280	319	327	646	3,926
Sweden .....	2,896	865	3,761	16	58	74	3,835
Spain .....	48	7	55	107	62	169	224
South America...	2	2	4	94	81	175	179
Turkey .....	9	5	14	7	1	8	22
United States....	..	2,875	2,878	..	14,677	14,677	17,555
Wales .....	671	327	998	11	73	84	1,082
West Indies.....	3	4	7	132	129	261	268
Total .....	63,651	21,106	84,757	5,903	21,687	27,590	112,347
<i>Arrivals in 1875.</i>							
January .....	1,321	673	1,994	200	862	1,062	3,056
February .....	2,249	1,455	3,704	282	1,358	1,640	5,344
March .....	4,606	2,293	6,899	400	1,429	1,829	8,728
April .....	10,412	3,258	13,670	652	1,991	2,643	16,313
May .....	14,780	3,429	18,209	778	2,503	3,281	21,490
June .....	10,864	2,354	13,218	693	2,221	2,914	16,132
July .....	7,407	2,062	9,469	915	2,564	3,479	12,948
August .....	5,828	2,548	8,376	856	3,482	4,338	12,714
September .....	6,184	3,034	9,218	1,127	5,277	6,404	15,622
Total .....	63,651	21,106	84,757	5,903	21,687	27,590	112,347

The foregoing statistics have elicited the statement that the immigrants of the present year, though fewer in number, are better off, and bring with them more money and greater skill than those of previous years. If this statement should be borne out by facts, it would confirm the evidence that is accumulating from other quarters, to show, that the economic value of the immigration movement has not declined so much as some superficial observers have supposed, and that the productive growth of this country has not so greatly suffered from the decline in the number of the immigrants.

### FAILURES DURING THE CURRENT YEAR.

Soon after the panic of 1873 it was suggested that a Quarterly Report of the commercial failures which happen in the United States and in Canada, would be of considerable service both to the banking community and to the mercantile interests of the country. Messrs. Dun, Barlow & Co. have consequently made the needful arrangements, and in the *BANKER'S MAGAZINE* for May was published the first Quarterly Report of failures. We have just received the third quarter's returns, which, as was expected, show a considerable increase over those previously issued. The subjoined table gives the aggregates for the second and third quarters, with the aggregate for the nine months. Those of our readers who may wish to compare the report of the first quarter of the year, can do so by referring to page 828 of our last volume.

As this is the first year in which quarterly returns of failures have been compiled, an accurate comparison with similar periods is impossible. But the total failures of previous years, divided by three-fourths, give a comparative result sufficiently exact:

	<i>Total Failures for Year.</i>		<i>Three-fourths of same.</i>		<i>Total Liabilities for Year.</i>		<i>Three-fourths of same.</i>
1872.....	4,067	..	3,050	..	\$121,056,000	..	\$90,794,000
1873.....	5,183	..	3,887	..	228,499,000	..	171,374,000
1874.....	5,830	..	4,371	..	155,239,000	..	116,429,000
1875.....	Nine months.	..	5,334	..	Nine months.	..	131,172,000

Average for 9 months of 4 years, 4,160 Average for 9 mos. of 4 years, 127,442,000

It will be seen that in New York city, the failures for the past nine months number 546, with liabilities amounting to \$31,696,350. The failures in 1874 were 483, with liabilities of 24 millions; in 1873 the failures in the nine months were 498, with liabilities of 69 millions; and in 1872 the number was 315, with liabilities of 15 millions. Taking the average of the nine months in four years, the result is 460 failures, with average liabilities of 35 millions. Hence it follows, that though the above figures for New York may seem large, the average of years indicates that they are not very excessive. In the failures of the past quarter, there were a



few of exceptionally heavy character—four concerns alone in New York city aggregating liabilities of over eight millions of dollars. The increased *number* of failures in New York, and throughout the country, is an important indication of the pressure of the times.

FAILURES IN THE VARIOUS STATES, JAN. 1 TO SEP. 30, 1875.

States and Territories.	Last Three Months.		Last Three Months.		Total, 9 Months.	
	No. of failures	Amount of liabilities.	No. of failures.	Amount of liabilities.	No. of failures.	Amount of liabilities.
Alabama .....	5	\$ 157,000	2	\$ 20,000	22	\$ 543,000
Arkansas .....	12	124,000	2	21,000	20	221,000
California .....	55	1,831,699	49	626,441	165	3,134,111
Colorado .....	14	71,200	19	197,300	53	562,402
Connecticut .....	36	559,393	62	1,456,515	141	2,368,569
Delaware .....	9	59,500	1	30,000	15	154,500
District of Columbia....	9	58,100	2	53,000	16	139,924
Florida .....	4	59,000	1	2,800	12	241,800
Georgia .....	47	2,139,830	11	371,300	123	4,318,430
Idaho Territory .....	..	..	..	..	1	3,000
Illinois .....	74	1,852,400	96	1,783,852	277	6,013,970
Indiana .....	65	361,534	91	1,677,129	236	3,654,012
Iowa .....	26	201,100	51	493,200	131	1,014,805
Kansas .....	10	145,500	30	314,600	57	543,400
Kentucky .....	47	1,171,300	21	261,000	106	2,582,300
Louisiana .....	8	187,653	8	209,000	24	702,484
Maine .....	23	315,000	35	250,000	90	904,000
Maryland .....	24	317,700	16	8,226,531	85	9,324,666
Massachusetts .....	150	4,036,700	187	4,774,821	564	15,628,321
Michigan .....	50	753,862	62	1,225,749	172	2,490,652
Minnesota .....	41	562,125	30	551,075	109	1,363,200
Mississippi .....	5	306,400	2	71,457	29	813,465
Missouri .....	54	1,119,062	40	552,400	145	2,725,793
Montana Territory .....	..	..	1	35,000	1	35,000
Nebraska .....	6	41,000	5	15,300	29	176,400
Nevada .....	7	65,300	7	140,600	23	411,700
New Hampshire .....	18	160,200	22	537,300	57	890,900
New Jersey .....	14	218,500	51	1,577,845	77	1,894,103
New York .....	104	1,942,939	201	2,795,117	476	8,474,857
New York City .....	138	6,272,000	211	16,933,850	546	31,696,350
North Carolina .....	25	263,400	2	285,000	44	671,429
Ohio .....	75	1,188,737	99	2,014,623	260	4,686,334
Oregon .....	8	114,000	2	7,500	15	210,448
Pennsylvania .....	133	3,693,858	131	3,902,197	419	13,019,883
Rhode Island .....	21	303,200	16	216,000	59	995,594
South Carolina .....	50	1,053,336	7	511,946	118	2,554,518
Tennessee .....	30	201,703	29	257,075	83	598,743
Texas .....	47	493,600	77	722,539	193	1,876,239
Utah Territory .....	1	9,500	..	..	3	53,500
Vermont .....	17	160,000	17	175,800	49	472,500
Virginia and W. Virginia	25	343,254	28	680,451	90	1,480,370
Washington Territory ..	..	..	..	..	1	2,804
Wisconsin .....	94	752,719	47	350,924	198	1,523,027
Total .....	1,581	\$33,667,313	1,771	\$54,328,237	5,334	\$131,172,503
Dominion of Canada .....	432	\$7,876,104	741	\$9,894,100	1,569	\$21,911,544

Of course, it will not be forgotten that these failures result largely from previous misfortunes, with which the trade of the current year is not chargeable. The panic of 1873 has, no doubt, laid the foundation for many of the casualties included in the foregoing table. Moreover, the liabilities have been swelled by an

attempt, on the part of some of the heaviest houses who have succumbed, to float themselves along, in the hope of a revival of business and a return of better times, when their assets would become more realizable. Such a period as the present puts to a very severe test the stability of firms who are expanded, while those whose credit rests only on previous reputation, and who have only the shell or débris of lost fortunes, cannot bear the searching, realizing spirit which is dominant in the financial and business circles. Finally, a reckless disregard of legitimate business principles in former years, or more recently, has caused not a few of the failures of the current year. But such results should be charged to the indiscretions of individuals, or their want of judgment, rather than to disorganized trade, or to an unsafe and ominous expansion of credits.

By these, and other considerations, Messrs. Dun, Barlow & Co. account for the increased number of failures. They add the following judicious remarks at the close of their circular: "The reduction in the volume of business, the seeming impossibility of largely reducing expenses, and, above all, the enormous number engaged in business, in proportion to the trade to be done, even in the best of years, and which periods like the present 'weed out' most effectually—these are causes for an increased failure list, which may be justly attributed to the pressure of the times. But, after all, it may be doubted if this process is an unmixed evil. While the above figures seem to indicate a much worse condition of affairs than was supposed to exist, it is apparent that the disease with which the commercial community is affected has been one of slow development; and it by no means follows that, because the symptoms are now becoming more marked than formerly, the recovery of the patient is any the more remote. On the contrary, there are many indications of returning health and vigor. Chief among the hopeful signs of the times is the disposition to rapidly realize upon the abundant crops which have been so successfully harvested, and which must greatly increase the purchasing and debt-paying power of a large class of the community. In anticipation of this movement in crops and currency, a very fair trade has been done at almost all jobbing centers, and though business by no means attains its former volume or profitableness, the results of the autumn trade are in the main encouraging. It is true, that numerous interests remain depressed; that capital continues timid and therefore idle; that many manufactories are only partially employed; that some staple articles of merchandise show no profit, while others can only be sold at a loss; and that there is much which prevents a hopeful view of business matters. But, as compared with the condition of things at this date last year, there is certainly an improved prospect. Notwithstanding the figures presented above, the year has been by no means one of disaster, and, though the process seems a slow one which leads on to prosperity, it is none the less a sure one. That this is a general conviction in the minds of distributors of goods is best evidenced by a ten-

dency which, while it is encouraging, is none the less dangerous. We refer to the gradual increase in the time of credit given, and the great advance in the amounts granted. An undue expansion of credits for the purpose of inducing business is an evil policy at any time, but it is peculiarly so, when economy, restricted trade, and gradual reduction of existing indebtedness should be the features of the hour. Cheap credit is the sure precursor of disaster; and, while the strongest element in the financial fabric in these trying times has been the small indebtedness, it is not difficult to see that, if the lines of credit become lax, in time, amount, or character, all that now promises favorably will only contribute to hasten an unhealthy and an unsafe condition of business. A wise conservatism should be practised in this respect; for if the standard of credit is elevated rather than lowered, and if a rigid scrutiny is made into the claims of all who seek it; the revival of business will not be retarded, but hastened and made more solid and lasting.

To show the results of indiscriminate credit and expansion in the wrong direction the circular refers to the condition of things in Canada: "Two years ago, trade was in the highest degree prosperous and safe; the progress of all the leading towns was remarkable, and apparently based on sound principles. But largely increased bank capital, inducing liberal loans; heavy importations, necessitating free sales to weak people, and a general expansion of credit, have, in an incredibly short time, brought about a result as startling as it is suggestive. In the last nine months, the failures in Canada have been 1,569, with liabilities of nearly \$22,000,000. This, in 50,000 traders reported in the Dominion, implies that thirty in every thousand traders have succumbed to the pressure, while, in the United States, the figures show in the same period only eight failures in every thousand traders. Of course the solid prosperity of the great body of the people of the Dominion is undoubted, and already good progress is being made toward recovery in the health of its trade, but the figures we herewith present teach the lesson that expansion in unwise credits is most delusive and dangerous."

There are several general questions of practical interest on which the foregoing tables show some light. The first is, as to the risks of business in this country. In consequence of various recent disasters to credit, and especially since the failure of Duncan, Sherman & Co., the public mind has been prepared to find the casualties of business greater than usual. The dangers of all sorts of industrial enterprise have constantly been enhanced by the perplexity which disturbs business in consequence of the greenback agitation. The total number of persons and firms whose commercial status is reported amounts to 650,000, comprising merchants, bankers, manufacturers, and traders in every town and city on this continent. Of this army, 650,000 strong, the total number tainted by failure during the past nine months is 5,334. Last year it was 5,830, or .896 per cent. In other words, not more than nine

traders in every thousand have failed in business during the two years. This proportion is probably larger than that of England, Germany or France, but from the absence of detailed statistics in those countries we are left to conjecture, and the estimates vary.

Another question is as to the amount of business actually done by the business firms of this country. This element of our calculations is important, for there is no doubt that the volume of business done in the United States has received a very large increase since 1861, when the failures were nearly as numerous as those of the present year. This will be seen from the subjoined table of failures since 1857.

FAILURES IN NEW YORK AND THE UNITED STATES, 1857 TO 1875.

United States.			New York.		
	No.	Amount.	No.	Amount.	
1857.....	4,932	\$291,750,000	915	\$135,129,000	
1858.....	4,225	95,749,000	406	17,773,462	
1859.....	3,913	64,394,000	299	13,218,000	
1860.....	3,676	79,807,000	428	22,127,297	
1861.....	6,993	207,210,000	980	69,067,114	
1862.....	1,652	23,049,300	162	7,491,000	
1863.....	485	6,864,700	34	1,670,000	
1868.....	2,608	63,774,000	417	31,654,000	
1869.....	2,799	75,054,000	418	21,370,000	
1870.....	3,551	88,242,000	430	20,573,000	
1871.....	2,915	85,252,000	324	20,740,000	
1872.....	4,069	121,056,000	385	20,684,000	
1873.....	5,183	228,499,000	644	92,635,000	
1874.....	5,830	155,239,000	645	32,580,000	
1875*.....	5,334	131,172,000	546	31,696,550	

\* For the first three quarters, January to October.

It is to be regretted that we have no means of estimating the number of firms whose status is reported every year. Had we these figures we should be able to discover the exact proportion of failures in 1857, in 1861, and in some other years as compared with those of the present year. We have only the means at present to apply this method of calculation to the figures of last year, when the aggregate failures were for the sum of \$155,239,000. This amount of liabilities was divided among 5,830 insolvent persons and firms. A simple calculation shows that each insolvent averaged \$26,627 of liabilities, and that, assuming the same average for the 650,000 solvent firms, referred to above as being included in the report of the year, the aggregate liabilities, in 1874, of our commercial classes amounted to \$17,307,550,000. In round numbers, therefore, the average liabilities may be taken at 17,000 million dollars, and assuming that these liabilities run off every 90 days the total liabilities created during that year were nearly 70,000 millions. These figures suggest the inference that 70,000 million dollars of commercial transactions yielded but 155 millions of insolvencies, and if no more than 15 per cent. of dividend was declared the total loss would only amount to \$132,750,000, or a little under one-fifth per cent. This estimate, though only approximate, may suffice to show that the failures of the last two years, heavy as they are, amounted to a much smaller percentage

of the liabilities out of which they sprung than has often been supposed. It must, however, be remembered that the losses we have passed in review constitute a very small part of the mischiefs which are inflicted on the nation by the destruction of capital and the dislocation of industry incident to so large a number of yearly failures among our manufacturing and mercantile firms.

This is, in some points of view, the most important aspect in which the failures of our industrial community can be regarded. These disasters indicate the ravages of an epidemic whose power reaches far beyond those elements of the National wealth which admit of being measured in dollars or expressed in statistical formulæ. None of us will deny that industrial failures, like the casualties of war, are often the punishment of ignorance, the penalty of rashness, the result of incompetence or error. But there are many such disasters which befall men without any fault of their own. The faults of the financial system are sometimes more to blame than those of the man who suffers from them. Hence the worse our financial system becomes, the greater the need of personal caution. We have lately entered upon a new and troublous period of our National finance. The inflation agitation, the approach of specie payments and those general causes which extend far beyond this country and are producing both here and abroad so much of mercantile depression and industrial trouble, will be likely to multiply the risks of business and to make conservative caution more necessary than ever in the giving of credit.

---

## OLD AND NEW FLUCTUATIONS IN GOLD.

### No. 2.

With regard to the stock of gold in the commercial world in 1849 and since, a number of conflicting estimates have at various times been published by us; but the trouble is that two unknown quantities enter at every step into our calculations. First, we cannot obtain with absolute certainty a precise account of the total production; and secondly, we are equally unable to discover how much gold is used in the arts, and how much has been exported to Asia, or in some other way has been withdrawn from use as money. To the other estimates which we have at various times offered to our readers we may add that of a recent German writer, who in a late issue of the *Deutsches Handelsblatt* gives some statistics of the product of the precious metals throughout the civilized world, from the beginning of the sixteenth century to the close of 1873. His estimate is that from the year 1500 to 1849, the total product of gold was 8,900,000 pounds, which was worth \$3,100,000,000. The aggregate product of silver was 295,000,000 pounds, valued at \$6,625,000,000. It thus appears that, of the entire production of the precious metals from 1500 to 1849, gold constituted less than 3 per cent. in weight, and silver

more than 95 per cent., but in value gold was 32 per cent. and silver 68 per cent. While, therefore, the silver outweighed the gold more than 32 times in value, it was worth little more than twice as much. This will be made clearer by the subjoined table :

PRODUCTION OF PRECIOUS METALS, 1500 TO 1849.

	<i>Pounds weight.</i>		<i>Value in dollars.</i>		<i>Per cent. weight.</i>		<i>Per cent. value.</i>
Silver ...	295,000,000	----	\$6,625,000,000	----	97	----	68
Gold ....	8,900,000	----	3,100,000,000	----	3	----	32

Since 1849 the gold of California and Australia started a new era, and vastly augmented the supply of the precious metals. From that time to the end of 1873 the production of gold is set down at 9,600,000 pounds, or nearly three-quarters of a million pounds weight more than was raised in the preceding 350 years. In value this gold product was worth \$3,350,000,000. The quantity of silver raised in the same 25 years is estimated at 69,000,000 pounds, or \$1,550,000,000 in value. In this quarter of a century, therefore, gold constituted more than 12 per cent. of the weight and about 86 per cent. of the value of the aggregate product. This is shown in the tables given below :

PRODUCTION OF THE PRECIOUS METALS, 1849 TO 1873.

	<i>Weight pounds.</i>		<i>Value dollars.</i>		<i>Per cent. weight.</i>		<i>Per cent. value.</i>
Silver ...	69,000,000	----	1,550,000,000	----	86	----	32
Gold ....	9,600,000	----	3,350,000,000	----	12	----	68

RECAPITULATION.

<i>Date.</i>	<i>Metal.</i>	<i>Weight, lbs.</i>		<i>Value.</i>
1500 to 1849.....	Silver.....	295,000,000	-----	\$6,625,000,000
1849 to 1873.....	Silver.....	69,000,000	-----	1,550,000,000
1500 to 1873.....	Silver.....	364,000,000	-----	\$7,875,000,000
1500 to 1849.....	Gold.....	8,900,000	-----	3,100,000,000
1849 to 1873.....	Gold.....	9,600,000	-----	3,350,000,000
1500 to 1873.....	Gold.....	18,500,000	-----	\$6,450,000,000
1500 to 1873.....	Silver and Gold..	382,000,000	-----	\$14,325,000,000

According to these tables the whole yield of the precious metals from 1500 to 1873 was \$14,325,000,000. Of this total, gold constituted \$6,450,000,000, and silver \$7,875,000,000. The next step of the inquiry is, where is all this gold at present? To this question our contemporary replies, that if we search the vaults of the Banks of England, France, Germany, Holland and Belgium, we shall not find more than \$750,000,000. It is true that in the pockets of the people there may doubtless be a considerable amount, and large sums are circulating for business purposes, or are buried in hoards. But these amounts are in all probability much smaller than is sometimes supposed, for specie payments are suspended in the United States, France, Austria, Italy and Russia, and less coin is circulated or used in those countries. Of course there is some stock of gold in the hands of jewelers and

other artists who work in the precious metals. But allowing for all these sums at the present time in use throughout the commercial world, there is an immense aggregate of the precious metals which remains to be accounted for. The wear and tear of coin is estimated at \$15,000,000 a year, and the demand for the Oriental markets of India, China and Japan has always been very large.

A more important practical question is, how the relative value of silver is affected by the production of the two precious metals and by the excess of the supply of either above the demand for it. We can not follow the elaborate arguments of our contemporary in detail. He shows that during the 350 years ending in 1849 silver fell in value more than gold did, because the production of silver exceeded the production of gold more than 32 times. If it had exceeded gold twenty times, the silver would probably have kept its relative price. But there was a greater excess of production, and according to the law of economics which governs values, the price of silver fell. Thus in the first half of the sixteenth century an ounce of gold would buy 11.25 ounces of silver. In the first half of the seventeenth century one ounce of gold would buy 12.5 ounces of silver. In the eighteenth century it would buy 15.1 ounces. In the nineteenth century 15.65 ounces. In May, 1875, an ounce of gold would buy 16.54 ounces of silver. Thus the value of silver has risen 7 per cent. within a few years. Whether it will continue to fall or whether it will take a movement upward is very uncertain.

These are the main points discussed in the elaborate paper before us, but the writer makes little or no reference to a question which, to the economist and statesman, is of much importance. We refer to the monetary revolution which the gold discoveries of the last quarter of a century have produced all over the civilized world. This revolution has had two stages, each distinguished by its own characteristics. The first of these stages has closed, and the second is just beginning. Among the chief features of what has been called the expansion stage of the great monetary movement, the most conspicuous is seen in the prodigious activity imparted to the productive powers of Christendom. Under the pressure of the forces thus let loose in the commercial world, the monetary systems of the various nations were put to a severe strain, and the weaker parts of the financial machinery have suffered severely. The fight of labor against capital is but one of the symptoms of this overstrained action of the economic forces of the commercial organism. A more important one is the breaking down of the sound currency system of commercial Europe, and the inauguration of a paper money inflation in its stead.

The second stage of this great movement is destined to undo much of the evil, to redress many of the wrongs, and to repair in part the damage done under the old regime, while consolidating and making permanent benefits which have been attended by these minor evils. It is not surprising, therefore, that we find

that as the third quarter of the present century was remarkable for the extension of paper money, so the fourth quarter has scarcely opened before we find a new series of conservative forces are set in operation to rid commerce and material progress of the incubus of paper money.

In virtue of these new forces, which are equally potent in Europe and America, nearly all those countries which have an irredeemable paper currency are making efforts to resume specie payments. The chief exception is Russia, whose badly conceived efforts at resumption some years ago proved a failure. Of the other paper money countries, Austria is agitating the question of resuming specie payments. Italy will also, no doubt, do the same before long, and France has already fixed the day on which she will abandon the legal-tender law and redeem her notes in coin. It is this general movement all over Europe in the direction of specie payments which has given its present turn to the discussion as to the relation between silver and gold. In Austria the popular feeling favors the adoption of a silver standard of value, instead of the old double standard of gold and silver. Silver has fallen in price so much that the Austrian paper money is at a discount of only  $1\frac{3}{4}$  per cent. below silver coin. Hence it is argued there, just as in this country, that resumption in silver would be a comparatively easy task. For this reason, it was proposed to abolish the present gold standard and to keep the silver standard as the sole legal-tender money. Against this, it is proved that first silver has fallen and is still falling in value. Another argument is, that in modern times it is absolutely impossible to keep up a double standard of valuation; that is, to ordain that *both* gold and silver shall be the measure of value. This can be done, of course, only by determining very accurately the relative value of these two metals; in other words, by declaring how many grains of silver shall be the equivalent of one grain of gold. Unfortunately, the ratio of these two values is inconstant. Governments are unable to keep it fixed; it fluctuates slightly from year to year, and even from week to week, according to changes in the bullion-market, depending on the varying needs of business and the varying productiveness of the mines. Fix the relative values of the two metals in the coinage as accurately as we may, for the time being; before a year has elapsed, a change may occur in the bullion-market, and then the coin of that metal which is overvalued in respect to the other—that is, the one which passes for a little more than it is worth—will push out of use the other, which passes for a little less than it is worth. There will be a profit in continuing to use the former only as money, and in melting the latter up into bullion, to be sold as a commodity. No matter how slight the change may be, even if not more than one per cent., it will destroy the balance of the circulation; and then the public will suffer from the want, either of gold coins wherewith to make large payments, or of silver coins wherewith to make small payments.



To maintain both gold and silver as measures of value is as hopeless an undertaking as trying to make two clocks the standards of time. Though they should be adjusted to each other ever so accurately, still their varying rates would soon create a slight discrepancy between them, and then no one could tell what time of day it was. England adopted gold as the only standard in 1816; the United States did the same in 1853; and, since those periods, the coinage of both countries has been in excellent condition, leaving nothing to be desired. Formerly, each of these governments attempted to make both gold and silver the common measure, and thereby suffered great inconvenience by the frequent changes of the law, by the disappearance of one kind of coin from circulation or its presence only in a worn and degraded state, and by the frequency of the crimes of counterfeiting and clipping.

In the United States, up to 1834, the dollar, which was our legal tender, contained either 24.7 grains of *pure* gold, or 371.25 grains of *pure* silver. These numbers are to each other, very nearly, as 1 to 15, which was about the relative market value of the two metals when this regulation of the Mint was first established. But silver becoming more abundant through the increased product of the Mexican mines, gold rose in relative value, and therefore disappeared from circulation. To bring it back again, Congress altered the law, and put only 23.2 grains into the gold dollar, leaving the silver dollar as before, thereby establishing the ratio of 1 to 16. This answered admirably for a while, the two metals circulating side by side, and the coins from both being in good condition.

But in 1849 began, as is shown above, a great increase in the annual product of gold from California and Australia. Gold was depreciated, and silver rose in relative value. As the inevitable consequence American silver coins of full weight began to be scarce, and worn and defaced ones were attracted hither from other countries. It became very difficult to effect small purchases, or to obtain "change" for a dollar. Congress had now to undo what it had done in 1834; and as it was supposed in 1851 that silver would continue to rise relatively as gold fell in value through its increased annual product, it was wisely determined to adopt so decisive a measure that the necessity of another change would not soon recur. The double standard was surrendered, and gold was established as the only measure of value. According to the law of 1853, nothing but gold coin is a legal tender for any debt exceeding five dollars in amount. Silver coins, like copper ones, are retained in the currency only for subsidiary purposes—that is, for paying small sums and adjusting fractions of a dollar; they are legal tender only when the sum does not exceed five dollars. Copper coins, usually made to pass for nearly twice as much as they are worth, are legal tender only up to the smallest denomination of silver coin. To retain silver in this subordinate position—not a measure of value, but a convenience for small payments—Congress resolved, in 1853, that only 345.6 grains of *pure* silver

should be put into a silver dollar, instead of 371.25 grains as formerly—the reduction being about 6.91 per cent. Thus the ratio of gold to silver in our coins, instead of being 1 to 15, as it was up to 1834, or 1 to 16, as it was from 1834 to 1853, is now 1 to 14.884. The actual ratio in the bullion market is now about 1 to 15.6. Hence, the legal ratio before 1853 undervalued silver about two per cent.; the present overvalues it fully five per cent.

In this country the standard fineness of the coin is 900 parts of pure silver and 100 parts of pure copper alloy. The law of 1873 has somewhat increased the weight of the subsidiary coin, so that the coins at present issued are a trifle heavier than the coin issued prior to the 1st of April, 1873, and are made to correspond in weight with the French coin. At present the subsidiary coins issued are the half dollar, quarter dollar, twenty-cent piece and dime. The half dollar weighs 192.9 grains. This piece formerly weighed 192 grains. The quarter dollar now weighs 96.45 grains; it formerly weighed 96 grains. The new twenty-cent piece weighs 77.16 grains, and the dime weighs 38.58 grains; the latter formerly weighed 38.04 grains. These are the only silver coins authorized excepting the trade dollar, which is a commercial piece, and weighs 420 grains. The mints of the United States have coined about 6 millions of silver since the passage of the resumption law of January last.

England adopted the gold standard, giving up the double standard and demonetizing silver, thirty-seven years earlier. The adjustment of the relative value of the two metals made in 1695 worked admirably for a time. But silver steadily rose in value after 1717, so that perfect silver coins disappeared, and only those which were worn or clipped remained in use. In 1816, therefore, Parliament reduced the quantity of silver in the shilling 6.45 per cent., thus establishing the ratio at 14.21, which is so much below the real value of silver that a necessity for further change is not likely soon to occur. At the same time, gold was adopted as the sole measure of value, and the overvalued silver was prevented from driving the gold out of use, by enacting that silver coins should be legal tender only to the extent of forty shillings. The power to issue these coins is vested solely in the Government mint, so that too many of them may not be thrown into circulation.

An important contribution to the literature of this subject is given by the London *Economist* of Sept. 18th. The writer has fallen into a few errors, but he represents so accurately the current opinion of the best financiers on the subject before us, that we quote the article. The first question proposed by our contemporary is one which is often raised in the discussion of the movements of gold and foreign exchange in Wall street. It refers to the coinage changes in Germany, and especially in Holland, where the difficult and delicate task has been attempted of raising the currency to a single gold standard. On the difficulties to be surmounted in Germany we have recently offered some observations

in former numbers of this Magazine. The obstacles in Holland are discussed as follows by our contemporary:

"The recent changes in the Dutch coinage are a great warning against going too fast. In 1847 the Dutch Government made a change which was in accordance with probable expectation and which was confirmed by the philosophical doctrine of the time, but which was proved to be a complete mistake. There had then been recent gold discoveries in Russia, which attracted much notice, and it was expected, even before the great discoveries in California and Australia, that they would rapidly reduce the value of gold, and would render it unfit for use in coinage; and, acting upon this doctrine, the Dutch Government demonetized gold. It has turned out, however, that the experience in 1847 of the effect of the gold discoveries was too short to enable it to be correctly judged of—that even with the greater subsequent discoveries they have not made gold unfit for coinage purposes—that, on the contrary, the aid which they have given and the stimulus which they have imparted to the trade of the world have made a currency of high value more necessary than it ever was, and that gold, continuing to be of high value, is more than ever required for currency purposes. One single fact will show the difference between the expectation and the reality better than any reasoning:—

In 1847 the price of silver per oz. in London was.....	d.
In 1875 it is .....	59½
	56½

—showing, not that the value of gold has fallen rapidly, as was expected in 1847, but that, on the contrary, it has risen. A given quantity of gold will buy more silver now than it did twenty-eight years ago, instead of a much smaller quantity, as was imagined. The reason on which the Dutch Government acted in 1847 having proved erroneous, they have determined to retrace their steps. They now remonetize the gold which they then demonetized. In another column we give the translated text of the law and decrees in which the new policy is embodied. Their upshot comes to this:—First, a new gold piece of 10 florins—about 16s. 8d.—is made legal tender. This was the old gold piece which was current before the demonetization, and which is now revived. Secondly, any person can, on proper terms, have gold coined at the mint into these ten-florin pieces. Thirdly, no person is to have the right to have silver coined at the mint. Any such coinage is to be at the request of the State, and on State account only. Fourthly, the relation between gold and silver in the Dutch currency is to be as 1 to 15'625.

"There can be no doubt that in abandoning its former policy and in again monetizing gold, the Dutch Government is well advised. A nation which has not gold for its currency is nowadays for many purposes out of the money market. Gold has already become to a great extent, and is daily becoming still more, the currency of large transactions; a nation which uses silver is at

a disadvantage, because in any dealings with her the varying relations between gold and silver have to be taken into the account. To a certain, though a less, extent, it suffers the same evil as countries which have an inconvertible paper currency; there is a varying premium between her currency and that of the nations with which she trades. This premium is especially a disadvantage in "exchange transactions," and in the transmissions of money, on account of the difference of interest, because in these transactions the profits are very fine, and a very small element of uncertainty is sufficient to prevent a transaction which would otherwise have been effected. Unquestionably, therefore, Holland is right in returning to a gold currency, and in reversing the policy of 1847. But, on the other hand, the way which she has chosen for attaining this end is open to grave objection. In the first place, it does not make gold the sole currency of the country, it only makes it one of two metals which have equal currency. A person who has a bill payable at Amsterdam will not be able to say for certain, whether at maturity it will be paid in gold or silver. The new law, therefore, will not succeed in bringing Holland perfectly into the money market as far as exchange transactions are concerned. Such transactions with her will still be liable to the objection that a variation in the relative values of gold and silver may diminish the expected profit of a transaction, and may turn it into a loss.

"Secondly, a country which establishes two paying mediums incurs the permanent danger that at every variation in the relative value of the precious metals she will be deprived of that which has risen in value, and be left with that which has fallen. During the cotton famine the currency of France was very largely changed from silver to gold. The popular complaint was "that the English had taken away the silver." The economical fact was that silver had risen in value, as compared with gold, in consequence of its being much more fit for remittance to the East; and the French were, therefore, deprived of it, and were left with gold, which had diminished in value. Though, therefore, the policy of the Dutch law is right, its mode of carrying that policy into practical effect is very defective. Indeed, we apprehend this would not be denied by Dutch statesmen, still less by Dutch economists. It will only be said that the change from a silver currency to a gold must be effected gradually; that all which can be done at present has been done, and the rest must be left to the future, when it will be easier. But experience—especially very recent and conspicuous experience—seems to show that this change is one which can scarcely be effected slowly; at least that there are the gravest difficulties in so effecting it. The German Government has been for the last four years trying gradually to effect it, and is still in the greatest difficulties in the process. It has purchased and coined a deal of gold, but it has lost the use of much of it. Estimates differ, and we cannot state with precision the amount of newly coined German gold which has been exported. Of the main fact, however, there is no doubt. A very

considerable part of the gold issued for common circulation, and which is not under the control either of the Government or the banks, has been so exported. And this process is inevitable, because silver is falling in value, in consequence of these very operations. It is known that the German Government is about to get rid of its silver currency and to substitute gold; and, therefore, there is a constant supply of silver, of unknown amount, hanging over the market. Any one who takes payment of a bill in Germany, and brings home silver, will very likely find that he has imported an article which has fallen in value; while a person similarly situated, who takes gold in payment for his bill, runs no such risk. Germany is, therefore, gradually drained of the gold she issues—to an uncertain extent, it is true, but undoubtedly to some extent.

“The only effectual mode of substituting one currency for another is that which Locke pressed on the Government of William the Third. It is to call in the old currency from and after a given day, and to have on that day and after, a supply of the new currency to exchange for it. Unquestionably this is a large operation, to use the language of the market, and it would be necessary in the case of such a country as Germany, to prepare gradually for the change, by slowly accumulating a great store of the new currency—in this case, of gold. And undeniably this would have been a great expense, but then it would have been an expense which would have been effectual. The German Government have no doubt adopted a less costly means, but then these means have not effected their object. That object is still to be obtained by a long series of efforts, which no one can specify, and of which no one can count the cost. The Dutch Government in imitating the policy of the German Government, have an excuse which that Government had not. Their circumstances are peculiar. Holland has, like England, a vast Indian Empire, and, unlike England, she governs it directly. She makes no fiction of a double Government; she has no “Secretary of State for India,” with a different debt, and an entirely different finance. And in consequence she is in a difficulty. Whatever may be said of the two systems for other purposes, indisputably for currency purposes the English is the better. The East and the West need different currencies, and it gives an easy way of making them different. The reason of the difference is obvious. Exactly the same circumstances which make it desirable for the West to have a principal gold currency make it desirable that the East should have a silver one. The West is pre-eminently the seat of large commerce, with great transactions; the East, of minor commerce, with small transactions. Accordingly the West needs a large unit of reckoning and exchange; the East a small unit. Our English system has easily enabled us to have a silver currency in India—a rupee currency; and a gold currency—a currency of sovereigns—in England. But the Dutch have no similar facility. They think they cannot demonetize silver in Europe without demonetizing it also in their Indian Empire, from which they most naturally shrink.

"But though this argument is a partial excuse for the Dutch mode of dealing with this subject, it is not a sufficient justification. The same difficulty will always recur. Either they must always have a double standard, which is the cause of much evil and inconvenience, or it must, some time, demonetize silver, when it will have exactly the same difficulties which it has now. The experience of the German Government has shown that such steps as these are not useful preparatives, but ineffectual beginnings. They leave the main difficulty still to be met and conquered. The true resource of the Dutch Government should be in some manner to divide their Empire into west and east, as the English have, and to have the currency in each which is best adapted to its wants. When they have accomplished that separation they can effect the object they have in view, but till then they cannot do so.

"This is not, however, the part of the subject most interesting to most of our readers. They will care more to learn what will be the effect upon the money market of what the Dutch Government has done, than whether they ought to have done it or not. And, fortunately, this is a much easier and shorter matter to speak of. The new Dutch operation will have the same effect as that of the German, which it so much resembles, and with which we are so familiar. They will have to buy gold in this market, which will tend to raise the value of money, and some of that gold will come back here, or into other communicating money markets, which will tend to depress that value again. But the first effect will be a rise.

"In some states of the money market the Dutch demand might have been a subject of anxiety. But the supply of gold is now so ample that we rather think of it as a good than an anxiety. The quantities taken for Holland already are too small to raise the rate of interest in Lombard street above the lowest rate ever known, and we do not know that these quantities are to be increased. Two things should, however, be observed. First, that this effect, whatever it may be, will be aided by the last phenomenon in the German currency; this is a great substitution of gold for paper, consequent on the calling in of the small notes formerly current. Whether this was a wise operation for the German Government to have undertaken, when they have so much else in hand, may perhaps be doubted. But its effect is unmistakable.

On January 7 the circulation of the Bank of Prussia was.....	41,081,000
August 31.....	36,246,000

A diminution of.....	4,835,000
----------------------	-----------

On the other hand,

On January 7, the bullion held by the Bank was....	30,325,000
August 31.....	25,838,000

A diminution of.....	4,447,000
----------------------	-----------

We have here an extra use of 4 millions and a-half of gold in substitution for paper, which might have been actually important in certain states in the money market, and even now will co-operate

with the Dutch demand in raising the value of money, or at any rate in keeping it at its present value.

"Secondly, it is exceedingly to be wished that both Governments, the Dutch and the German, would take what gold they want—at any rate much of that gold—now, while it is cheap, and easily to be obtained. This is the interest of the world, for so low a rate of interest as the present is good for no one; and it is the interest of the Dutch and German Governments also, for in these times what gold is wanted can be obtained without perturbing the money market, which has an injurious effect upon the commerce of all great nations, and through them upon their Governments."

It is an error to say that Holland has revived her old coinage. The new legal-tender coin differs somewhat from any of those previously used. Since 1848 Holland has made several changes in the methods whereby the rights of "debtors and creditors," so far as currency is concerned, are adjusted. In 1839 the intrinsic value of her silver florin was reduced from 9.450 grammes, a reduction not far short of 2 per cent. Then came the entire demonetization of gold in 1847, and the cessation to coin it except when required for commercial purposes, when it was obtainable by individuals from the mint without any demand for mint charge or seignorage. Now, by the new law of 1875, a debt may be paid in Holland at the option of the debtor, either in old silver worn below the proper weight, as there is no Dutch law requiring the withdrawal from circulation of such coin, or else in new gold Williams of one per cent. less intrinsic value than the old gold Williams. It should be noted that Mr. Van Der Heim—the Dutch Minister of Finance—in presenting to the States-General his project for the present change of system of coinage, observed that the weight of 12 florins of new gold would correspond almost exactly with the weight of 25 francs. This is important, in view of the chances of the 25-franc piece ultimately becoming the leading international coin. When that object is achieved, 12 florins of Dutch gold, 5 dollars of U. S. coin, and one pound of British currency will have to be struck of the same weight and fineness as the present 25 francs current in France, Italy, Belgium, Switzerland, Austria, Spain, Greece, &c., and which weigh 8.06451 grammes, whilst 12 florins of the new Dutch gold weigh only 8.064 grammes. There is, therefore, only the difference of 51 hundred-thousandths of a gramme in weight, and of 16 one-hundredth parts of 1 centime in value, the 12 Dutch florins being worth 24.9984 francs. It may appear marvelous that by so small a difference a new anomaly has been sanctioned by Dutch law; but scientific principles in fiscal and coinage reforms have formerly, as well as now, had to contend with mistaken conservatism and ignorant prejudice, and still, in spite of all the obstacles which oppose its progress, the triumphal car of currency reform and specie payments is moving onward in all the chief countries which are distinguished for their commerce and trade.

At the present moment the Dutch operations of coinage are less important than those of Germany, and the latest advices from London show that the recent advances of the rate of the Bank of England is due chiefly to that cause. Moreover, the *North German Gazette* of the 4th of October states that the coinage reform in Germany has been making good progress since the beginning of July, from which date the banks were forbidden to issue notes below the value of 50 marks. The bank-note aggregate decreased during the months of July and August by 175,702,937 marks, and the withdrawal of notes below 100 marks has been nearly completed. The diminution of the bank-note circulation is the intended and expected result of the transition to the gold standard. On the 17th of September bank-notes intended for withdrawal to the amount of 170,000,000 marks were still in circulation, of which notes to the value of 42,378,000 marks only were notes of the Prussian Bank, and that amount has already been reduced since. Should the Prussian bank-notes of the value of 100 marks and upwards, amount to a sum exceeding the wants of commerce, the notes in excess will have to be exchanged by the bank for gold coin under the new law. The present and prospective fluctuations of the European markets, which this German coinage and bank reform may produce, are looked forward to with somewhat more of uneasiness and incertitude.

This monetary reform is expected to drain gold from England. Two distinct operations are going forward together. First, the old silver currency of Germany is being withdrawn and the new gold coins are being substituted; and, secondly, the small notes are also called in, the banks being forbidden to issue notes for less than 100 marks or \$25.

---

## FINANCIAL ENGINEERING.

### No. 3.

A superficial observer might have thought that the ill success of our first experiment in financial engineering\* would have discouraged both my uncle and myself, and would have ended forever all ambition on the part of either of us to make a figure in the banking world. With all the obstinacy of an old field-officer, however, my uncle returned to the charge, and urged upon me the necessity of trying by a more successful venture to recover the money we had lost in the "Grand Financial and Credit Bank of Europe and America." To say the truth, I was still more eager, and I confess myself guilty of the crime of spurring the old gentleman on, for I felt sure that with the experience I had gained I could enter on a second experiment with a guarantee of avoiding disaster, and a fair chance of winning back all the money we had sunk in our ill-starred association with Messrs. Diaphorus, Nathan,

\* See *BANKER'S MAGAZINE* for September, pp. 189-197.



Sterling Swift & Co. We had scarcely made up our minds to take the risk of another banking scheme when I received a note from Mr. Warder, an old acquaintance of mine, near Capel Court, asking me to call, as he had heard of the very thing that would suit me.

"I am glad you are come," said he, "for there is a new Joint-stock Bank coming out, and although I have not much, if anything, to do with it myself, I have helped the promoters a little, and can give you a line to the solicitor of the concern. If you can bring them a director or two, and play your cards well, it is very probable that you may get the secretaryship, which has not yet been given away." Saying this—writing and talking at the same time—Mr. Warder sat down and scrawled a few lines of introduction to a legal firm near Clifford's Inn, and gave me the note, accompanied with the following verbal advice: "When you see these and other gentlemen—any one, in short—connected with this, or any other company, be bumptious, talk big, as if you could bring Rothschild, Baring, and Peabody as directors upon any Board that you are connected with; do this, and you will prosper. Good-bye. I shall be glad to hear how you thrive." In another moment Mr. Warder was gone.

If I had not delayed in repairing to Mr. Warder's office, how much quicker did I hasten to that of the solicitor's in Clifford's Inn! On sending in Mr. Warder's note and my own card, I at once obtained an interview with an elderly man like an undertaker, clad in a new and shining suit of black, white neckcloth, and high, stand-up shirt-collar. Our conversation was short and to the point. Mr. Westforth, the solicitor, knew me by name. "Was I not the nephew of Mr. Daunt?" "Yes." "Would Mr. Daunt join the Board of the bank which Mr. Westforth was projecting, provided I obtained the secretaryship?" I could not reply for certain, but I would ask my relative. "Could I give an answer to-morrow?" I believed I could. I would see my uncle and speak to him. "Very well; if Mr. Daunt joined the Board, I should have the secretaryship of the bank; that was to be a bargain."

But what *was* the bank? Its magnificent title was: The Commercial, Agricultural and General Trust Company (Limited). Capital, one million sterling, divided into twenty thousand shares of fifty pounds each; but that it was only contemplated to issue ten thousand at present, and that not more than twenty-five pounds would be called up on each share; that one pound per share was to be paid on application for shares and three pounds per share on allotment. After the usual announcements upon the prospectus, came the word "Directors," in very large letters, but of directors there was no list whatever—not one single name following the heading. The reason for this—so Mr. Westforth told me, but whether I believed him is another question—was that they had "so many first-class men, sir, offering to join them, that their great difficulty was in making the proper selection." Below the word "Directors"

came "Manager," followed by "Secretary," "Solicitor," "Auditors," "Bankers," and "Brokers;" but to none of these was there any name affixed. It was very like a playbill in which the titles of the pieces and the designation of the characters were put down, but to which the names of the actors had not yet been added. The farce was not yet cast. As a matter of course, the prospectus set forth that the future business of the proposed bank would be exceedingly large and highly profitable. That it was intended to have large branches and extensive agencies in New York, Paris, Madrid, Berlin, Melbourne, and Bombay. That already arrangements had been made to purchase the business of Messrs. Spearman, Odsford & Co., and that some thousands of the shares had already been applied for by the public. The latter assertion I knew, by a kind of instinct, was not true. However, my business was to get a good director or two for the company, and by this means to secure a berth for myself; and, therefore, armed with half a dozen copies of the prospectus, I rushed out of Mr. Westforth's office, called the first Hansom I saw, and was quickly bowling away toward Westminster, where my uncle resided.

He was an old gentleman who had partly inherited and partly saved out of his pay a fair competency. All his sons were dead, his only daughter was married, and he, a widower, found that, with between seven hundred and eight hundred pounds a year, he could live very comfortably in lodgings, enjoying the conversation of his old friends at the Army and Navy Club, and his rubber of whist in the evening. He said he had had enough of business, but he wanted to see me settled, and that though he had no faith in new banks or finance companies generally, and was loath to undertake once more the trouble, worry, annoyance, and responsibility of being a director, still as we had made up our minds to do something of the kind, and it was absolutely essential that he should serve, he would do so.

At length he not only consented to his name being put down, but promised to do his utmost to bring with him, as another director, an old friend—a retired officer of the Indian Civil Service—with whom he was engaged to dine that evening at the Club. This was excellent news for me. Not only did my uncle's friend consent to join the Board of the new concern, but he too brought a friend with him. The following morning I therefore arrived at Lincoln's-Inn-Fields, and presented Mr. Westforth with the written consent of three gentlemen who agreed to become directors, and thus a respectable nucleus of the Board was formed.

But although three directors—more particularly when bearing respectable names—are something, they are not enough to form a Direction. My part of the work was, however, done. Mr. Westforth, who was the promoter—and was to be the solicitor—of the company, at once gave me an undertaking by which the secretaryship of the bank was secured to me, provided the company proceeded to allot the shares. If the company "floated," I was to have the place I desired. My three friends served admirably to

draw more directors. Armed with them, our promoter was soon on his way to visit other parties in the city; persons who he either hoped would join, or who could induce their friends to join, the Direction.

At one of these interviews I happened to be present, and it was amusing—nay, for a future secretary not a little instructive—to observe how—promoter like—our future solicitor managed, without exactly telling a decided untruth, to suppress the truth most effectually. “Is your Board really formed?” asked the gentleman. “Oh dear, yes,” the promoter replied; “we have got Mr. Daunt, formerly a special partner in the house of MacLean, Daunt & Co., in Hong-Kong; also General Fance, late of the Indian Civil Service; also Mr. West, who was in the Indian Army; besides several others;” the “several others” being purely imaginary. I knew quite well that Mr. Westforth had secured no other directors, and he knew that I knew he was stating what was not true; nevertheless, he repeated it again and again to different persons, until he really seemed to believe his own falsehood.

At last, after about a month's hard work, and rushing about in Hansom cabs, we got together the names of eight gentlemen who consented to become directors of the Commercial, Agricultural and General Trust Company (Limited). *How* we managed this it would take too long to tell in detail. Some of them joined us because the prospect of two, or perhaps three, guineas on every Board-day—the Board sits once a week in all joint-stock banks—was an object of some moment to them. Others—like my own respected uncle—joined us on the understanding that they were to have this or that situation in the bank for some relative, connection, or friend. Many were—indirectly—paid for joining us; that is to say, the promoter, Mr. Westforth, would say to some acquaintance, “I will give you two hundred pounds if you procure me Mr. So-and-So as a director.” Perhaps the acquaintance had never seen Mr. So-and-So in his life, but he had an acquaintance who could get introduced to another person who knew the gentleman. He managed by paying the individual he knew a ten-pound note, to get introduced to the “other person,” and, by giving him three or four “fivers” to obtain the desired introduction, which when once accomplished, he offered, perhaps, a hundred pounds to the gentleman, provided he would join the Direction of the new bank. None of these were ready-money transactions—such bargains never are. All payment of promotion money—all money paid, or to be paid, directly or indirectly for directors, or for working out the scheme of “floating” a joint-stock company—is made contingent upon the shares being allotted to the public. If the concern does not proceed so far, all payments are considered “off.” The usual—I might almost say the universal—way with promoters is to give an undertaking stating that:

“As promoter of ‘The Commercial, Agricultural and General Trust Company (Limited),’ I hereby undertake to pay to Nicholas

Strong the sum of two hundred pounds sterling (say £200), should he succeed in obtaining the consent of Mr. So-and-so, of such a place, to become a director of the said bank. The money to be paid within seven days of the shares being allotted to the public, and on condition that the said Mr. So-and-so gives his written consent that his name may appear upon the prospectus of the Company, and remain there for at least six months after the Company shall be brought before the public.

“N. WESTFORTH.”

Having obtained this undertaking, duly signed by the promoter, the first thing Nicholas Strong, Esq., does, is to get it stamped at Somerset House, for which he pays the small sum of sixpence. He then proceeds to take his measures to catch his director, which he accomplishes by means like those I have pointed out, being generally a series of introductions which remind one of “the House that Jack built.” Of the two hundred pounds, not more than perhaps a fourth remains to him when all his expenses are paid. He has generally to give about one-fourth to the various worthies from whom he obtains the introductions, and has seldom less than half to give to the gentleman whom he brings in as a director. By the uninitiated, it will be asked where all the money promised to be paid to directors comes from? The reply is, it all forms part of that great nugget called “promotion money,” which is dug out of the pockets of the shareholders, so soon as the deposit money paid on application for shares flows into the treasury. In the “Articles of Association”—to which, be it remembered, all shareholders bind themselves in their application for shares—there is a clause inserted that, “in consideration of the trouble and expense to which Mr. Welforth, the promoter of this Company, has been put to, it is hereby agreed that he be paid the sum of five thousand pounds sterling as promotion money, within seven days of the Company proceeding to allot their shares to the public.”

It does not follow that the amount of promotion money is always the same. I have known it to be as high as twenty thousand pounds, and as low as three thousand, according to the nature of the undertaking and the amount of the proposed capital. But although the promoter retains by far the greater share of the cake, he is obliged, in order to obtain the wherewith to set his machine in motion, to part with some large slices of it.

Such slices induce many directors to join the new concern. These good things form part of what, in promoters' slang, is called “the pull you get out of the concern.” But there are other “pulls” which the directors who join a company when it first starts generally obtain, and among these not the least is that of being “qualified,” gratis, to sit at the Board. In every joint-stock concern the directors are obliged, by the “Articles of Association,” to hold a certain number of shares—generally forty or fifty—in the company, but gentlemen who join in order to get “a pull” out of the affair would be the last to lay out money in

paying for shares. The result is, that the promoter of the company almost always offers to qualify directors—that is, to give them the requisite number of shares—gratis. It was so with the Commercial, Agricultural and General Trust Company (Limited). Mr. Westforth, our promoter, soon saw that, to induce certain gentlemen to join the Board, he must offer to qualify them, which he did; thus making them, as it were, a present of four hundred pounds each, in shares; for on each share they received it was stipulated that the calls to the amount of ten pounds should be written off as being paid, and thus they had only to wait until the first two calls were paid, when they could, if they wished, retire from the Direction, sell their shares, and pocket four hundred pounds each.

With these various advantages, or “pulls”—viz., a certain amount of patronage in the bank, the two or three guineas for each director per week, a few slices of the promotion money, and being each “qualified” with forty shares on which ten pounds per share was paid—it is not to be wondered at that, in a very few weeks, we found our list of directors full, and very little wanting to launch the Company on the sea of public opinion, there to float or sink, as fate might direct. Our prospectus was now filled; the parts of the play were cast. Under the word “Directors” came the list of those gentlemen—a list now swelled up to eight; and so pleased was Mr. Westforth with the general appearance of these names, that he never seemed tired of contemplating the paper.

Mr. Smollett lived two hundred and more miles from London, and, although a man of business himself, never intended to sit at the Board, for the reason that in all probability he would never be in the metropolis more than once in six months, and then only for a few hours at a time; Mr. Vigitello was a Levantine commission agent, without fifty pounds of capital that he could call his own; Mr. H. B. Westforth was a lad of nineteen (a brother of Mr. Westforth, who was the promoter and solicitor of the Company), and was put on the Board partly to keep a little more of “a good thing” in the family, partly to vote as his brother directed; Mr. Spencer was a gentleman whose only trade or calling was to become a director of anything that was offered him, for the sake of the two guineas a week it yielded him in fees; and lastly, Colonel Frost was an individual whose antecedents were best known to the officials of the Bankruptcy Court, and whose only property was a yearly increasing crop of debts. If the public at large had known all this, perhaps it might not have applied for many shares in our concern. But it was not for us to tell of our shortcomings. We had gone through no small amount of trouble to do as well as we had—let others look to the inquiries that had to be made—each man for himself.

But now, on the very verge of success, there arose a difficulty which at first seemed insurmountable: nothing less than that old story, the want of money. Our directors, such as they were, were

all in their places. A respectable bank had—goodness and the promoter knew how—consented to take our account; the names of Mr. Westforth as solicitor, of myself as secretary, and of an accountant as auditor, were all in their places; in short, the curtain had but to be pulled up for the play to begin, when it was discovered that there were no funds forthcoming for the advertising expenses. Before the public can pay for shares, they must apply for them; before they can apply for them, they must know that the Company has started; and the only recognized means of informing them of this is by advertising. But advertising is expensive. To make the British public fully aware that the Commercial, Agricultural and General Trust Company was ready to take their money in exchange for share certificates, it was necessary to insert a very long advertisement in the chief daily newspapers. To advertise a prospectus of ordinary length for ten days or a fortnight, a sum of not less than from eighteen hundred to two thousand pounds is requisite, and this sum was not forthcoming. The directors individually did not see why one of their number any more than another should put his hand in his pocket. The bank might not float after all. And be it remembered that, up to this time, nothing but promises and undertakings had passed from one to another; money or checks had not been as much as seen.

In this dilemma a meeting of the directors was called, at the temporary offices which Mr. Westforth had borrowed gratis from a friend for a few weeks, giving the said friend an undertaking that, if the bank floated, he should be paid his rent fourfold.

The meeting of the Board was a full one, but no one seemed inclined to put down any money. Even the promoter and future solicitor, Mr. Westforth, "could not see" his way clearly to drawing a check, on the mere and bare chance of being repaid if the shares of the Company were allotted. He said he was quite certain that the scheme would take with the public, and he tried to persuade the directors collectively to give some advertising agent a guarantee that the expenses of advertising would be repaid, but they, one and all, did not seem to see the subject in the light in which this gentleman saw it. "If he was so certain that the scheme would pay, why did he not advance the money himself? Or, if he were short of funds, he might himself give the advertising agent the guarantee required." The meeting broke up without coming to any determination whatever, and I felt that my future secretaryship was by no means secure.

But Mr. Westforth was not a man to be stopped by trifles. In the course of twenty-four hours he had overcome the difficulty. By means known only to himself, he procured somewhere in the city an advertising agent, with whom he made the following bargain: This agent was to take upon himself the whole risk of advertising the Trust Company, and was to expend such sums as the promoter directed for that purpose, up to eighteen hundred pounds. For this, if the Company did not proceed to allotment,

he was to receive nothing; but if it succeeded—if the applications for shares were sufficient to warrant an allotment taking place—he was to be the first person paid out of the deposits, and for every one hundred pounds risked he was to receive three hundred. The bargain, in short, was a speculation, in which the advertising agent might lose all the money he had laid out, or might, in less than a month, make a profit of two hundred per cent. All parties appeared well pleased with the arrangement. The directors were so, because whatever happened they would not lose anything. Mr. Westforth was pleased for the same reason. The advertising agent was glad to risk the money on the chance of being repaid threefold.

Accordingly, our prospectus appeared one morning at full length in all the papers, as did also a notice in the money article of the leading journals, telling the public that "A new scheme, called the Commercial, Agricultural and General Trust Company, had been brought out with a nominal capital of one million," and that "the Direction was highly respectable."

Were the applications for shares numerous? At first they were not; but a day or two after our prospectuses were launched, friends of Mr. Westforth were sent upon the Stock Exchange to "rig the market." Thus, some gentleman not worth a ten-pound note in the world, would obtain an introduction to a respectable stockbroker, and would tell him (in confidence, of course) that he wanted to *sell* two or three hundred shares, but would not do so at less than two, or two and a half, premium, because he was sure of having a certain number allotted him, and he knew well that the number applied for already exceeded the number to be allotted in the proportion of three to one. In the mean time another friend would go to another stockbroker, and say that he wanted to *buy* so many shares of the new bank, and would go as high as two, or two and a half premium for them. Thus bargains—mere washes, of course—were made at this price, were quoted in the "money articles" (though not in the authorized lists), the public read them, was anxious to try its luck, thought that even if it got but a few shares, the money would be easily made, and so came forward with a rush to apply for shares. In a week all our ten thousand shares were applied for, and before another ten days was over that number was nearly doubled. The directors wisely struck while the iron was hot, and proceeded at once to allot the shares. Mr. Westforth got a check for his five thousand pounds of promotion money; the different directors got their respective "pulls" out of the concern; the advertising agent made his two hundred per cent. profit; and so the bank floated.

How the affair worked—how it went on very well at first, then got shaky, and, finally, came to most unmitigated grief, I have no space now to tell. Suffice it to say that my own connection with the concern, and my uncle's also, were happily terminated without loss, before the final crash.

## TWO PROBLEMS IN FRENCH FINANCE.

Among the numerous problems which French finance has had to solve during the last five years, there are two on which some light is thrown by Government documents just issued in Paris. The first concerns the distribution of the public debt; to raise the enormous sum required to pay the German indemnity it was needful that five milliards of rentes should be sold in a very short space of time, and chiefly to investors in France. How this was done we have recently informed our readers. The greater part of the several loans were subscribed for by French investors. Foreign capitalists bought, as a speculative purchase on temporary investment, about a third part of these war loans, and these rentes they have since sold at a profit to French investors, so that at the present time the whole of the French public debt is held at home, and scarcely any part of it now remains in foreign hands. Of course so great an addition could not have been made to the public debt of France without enlarging considerably the number of the holders of rentes. The question has often been asked, what was the precise addition which was thus made to the creditors of the French Treasury? Until lately the answers have been conflicting and conjectural. But a recent paper from the Minister of Finance sets the dispute at rest. His report gives a statement of the changes which have been annually made in the number of the holders of rentes. We give below the tabular exhibit for decennial periods from 1801 to 1875:

NUMBER OF FRENCH BONDHOLDERS WITH THE REVENUE OF EACH PERSON.

1801—1875.

<i>Years.</i>	<i>Annual Interest in Francs.</i>	<i>Annual Interest in Dollars.</i>	<i>Number of Bondholders.</i>	<i>Revenue in Dollars.</i>	<i>Revenue in Francs.</i>
1801.....	38,731,880	.. 7,746,376	.. 107,649	.. 71.95	.. 359.78
1810.....	56,730,583	.. 11,346,116	.. 145,663	.. 77.89	.. 389.46
1820.....	172,784,838	.. 34,556,967	.. 199,697	.. 193.04	.. 965.23
1830.....	204,696,459	.. 40,939,292	.. 195,270	.. 209.65	.. 1,048.27
1840.....	195,911,137	.. 39,183,227	.. 265,447	.. 155.18	.. 775.90
1850.....	229,608,758	.. 45,921,751	.. 846,330	.. 51.89	.. 259.48
1860.....	338,356,589	.. 67,171,318	.. 1,073,801	.. 63.02	.. 315.10
1870.....	358,087,510	.. 71,617,502	.. 1,254,040	.. 57.11	.. 285.54
1875.....	748,404,971	.. 149,680,994	.. 4,380,933	.. 34.16	.. 170.83

We thus see that the total amount of the consolidated French funds is in the hands of 4,380,933 persons, each of whom derives therefrom an average income of \$34.16. The total interest paid every year is \$149,680,994, or 748,404,971 francs. Of this sum the 5 per cents are reported at 345,756,055 francs, the 4½ per cents at 37,450,476 francs, the 4 per cents at 446,096 francs, and the 3 per cents at 364,752,344 francs. The principal of the public debt compares as follows: 5 per cents 6,915,121,100 francs,



the  $4\frac{1}{2}$  per cents 83,223,280 francs, the 4 per cents 11,152,400 francs, and the 3 per cents 12,158,411,466 francs, giving a total of 19,167,908,246 francs, or \$3,833,581,649. If estimated at the present prices current at the Bourse, the capital of the French debt would amount to about 15 milliards, or 3,000 millions of dollars. Appended to the table is an interesting statement of the fluctuations which have taken place in the French rentes. We give the particulars for the several years:

## VALUE OF THE 5 PER CENT. RENTES.

<i>Years.</i>	<i>Average Market Price.</i>	<i>Interest on Capital Invested.</i>
1801.....	28.43 .....	17.51
1810.....	80.86 .....	6.18
1820.....	75.08 .....	6.65
1830.....	98.97 .....	5.05
1840.....	111.80 .....	4.47
1850.....	95.03 .....	5.25
1875.....	106.00 .....	4.70

## VALUE OF THE 3 PER CENT. RENTES.

<i>Years.</i>	<i>Average Market Price.</i>	<i>Interest on Capital Invested.</i>
1830.....	70.78 .....	4.23
1840.....	78.79 .....	3.82
1850.....	56.67 .....	5.29
1860.....	68.99 .....	4.35
1870.....	65.82 .....	4.55
1875.....	66.00 .....	4.54

The second problem is that of the French currency. When the Bank of France, in 1870, suspended specie payments, the gold and silver coin ceased to circulate, and the displacement of the specie made way for new notes of the Bank of France. There are several things remarkable about these notes. First, they have never depreciated, except twice for a brief period, and then the depreciation was less than three per cent. Secondly, the volume of these notes has been enormously expanded, and has been as rapidly contracted, but no monetary trouble has resulted.

The report of M. Wolowski gives the following statement of the volume of notes issued by the Bank of France from 1873 to 1875. We have reduced the figures to American money, at the rate of five francs to one dollar:

## CIRCULATION OF THE BANK OF FRANCE, 1873 TO 1875.

	1873.	1874.	Jan. 1, 1875.	July 1, 1875.
Old issues.....	fr. 456,500 ..	fr. 455,000 ..	fr. 452,250 ..	fr. 449,700
5,000 francs = \$1,000	35,000 ..	30,000 ..	30,000 ..	30,000
1,000 " =	200 784,916,000 ..	748,160,000 ..	871,468,000 ..	872,100,000
500 " =	100 207,361,000 ..	202,343,500 ..	207,855,500 ..	200,478,500
200 " =	40 1,420,600 ..	986,000 ..	828,400 ..	766,200
100 " =	20 778,545,900 ..	875,177,400 ..	923,114,000 ..	948,174,100
50 " =	10 296,304,250 ..	275,976,450 ..	296,057,100 ..	236,836,700
25 " =	5 117,960,200 ..	31,919,375 ..	5,524,400 ..	2,311,050
20 " =	4 497,192,040 ..	643,602,280 ..	330,869,040 ..	159,633,180
5 " =	1 95,472,380 ..	107,702,045 ..	8,340,280 ..	2,509,480

Total in francs ... 2,779,663,870 . 2,886,355,050 . 2,644,838,970 . 2,423,348,910

The aggregate circulation of notes of the Bank of France, including "notes payable to order," was on

September 11, 1873.....	<i>fr.</i> 2,890,244,276	....	\$578,048,855
September 23, 1875.....	<u>2,338,488,880</u>	....	<u>407,697,776</u>
Decrease.....	<i>fr.</i> 551,755,396	....	\$110,351,079

The contraction is \$110,351,079 in twenty-four months. No notes but those of the Bank of France are allowed to circulate in France. They are a legal tender, and are received as the equivalent of specie. The maximum note circulation of the Bank of France was reached on October 31, 1873, when it was 3,071,000,000 francs, or \$614,200,000.

During the above contraction period the French Government has been steadily paying its debt to the bank, preferring to fund its one per cent. loan into three per cent. rentes rather than encounter the risks of an inflated paper circulation. The total amount of this one per cent. war debt due from the Government to the bank is reported as follows:

September 11, 1873.....	<i>fr.</i> 1,374,052,500	....	\$274,810,500
September 23, 1875.....	<u>649,620,000</u>	....	<u>129,924,000</u>
Reduction.....	<i>fr.</i> 724,432,500	....	\$144,886,500

By the new law we some time ago referred to, the Government is to pay off the entire amount of this war loan to the bank by the end of the year 1879. The bank is pledged to resume the full payment of all its liabilities in coin on Jan. 1, 1878, by which time the Government engages to reduce its war debt to \$60,000,000. In the interval the policy of the bank is not "to make the volume of the currency equal to the wants of trade," but it has steadily contracted its loans. As a consequence of this policy the discounts of the bank have diminished as follows:

September 11, 1873.....	<i>fr.</i> 948,569,253	....	\$189,713,850
September 23, 1875.....	<u>596,375,000</u>	....	<u>119,275,000</u>
Decrease.....	<i>fr.</i> 352,194,253	....	\$70,458,850

Till Oct. 14 the rate of discount at the Bank of France was four per cent., while that of the Bank of England was only two, and the current rates in Paris outside of the bank are from 2½ to 3¾. In consequence of this double operation, *i. e.*, the repayments of the Government and of the private debtors, the circulation has diminished. The specie in the bank has increased as follows:

September 11, 1873.....	<i>fr.</i> 708,869,992	....	\$141,773,998
September 23, 1875.....	<u>1,625,316,921</u>	....	<u>325,063,384</u>
Increase.....	<i>fr.</i> 916,446,929	....	\$183,289,386

Finally we notice a third point in regard to the French circulation, namely the powerful contraction of the small notes; those of five francs having decreased from 107,702,045 francs in 1874, to 2,569,480 francs in July, 1875, while the 20-franc notes have declined from 643,602,280 francs to 159,633,180 in the same period of a year and a-half.

## RUSSIAN FINANCIAL AND INDUSTRIAL PROGRESS.

We promised last month to give some account of the finances and the commerce of Russia. In this country the chief interest of the subject lies in three or four channels. Our people desire to know something about the exports of breadstuffs, the progress of industry and of the railroads, and lastly about the changes made in the financial system, which resembles in some respects our own paper money system. Of the breadstuff exports we have the following figures in addition to those we recently published:

## RUSSIAN EXPORTS OF GRAIN TO GREAT BRITAIN—1868 TO 1872.

	<i>Northern ports. cwt.</i>		<i>Southern ports. cwt.</i>		<i>Total. cwt.</i>
1868.....	4,683,813	....	8,371,525	....	13,055,338
1869.....	4,134,808	....	9,173,124	....	13,317,932
1870.....	6,286,973	....	13,260,469	....	19,547,442
1871.....	9,583,591	....	16,289,637	....	25,873,228
1872.....	4,373,484	....	18,206,939	....	22,580,423
1873.....	6,937,640	....	10,141,308	....	17,079,008

As to the manufacturing industries of Russia, they are making rapid progress. Large establishments for the production of machinery, tools and other manufactures of iron, copper and steel, have been founded in the Ural provinces, and are worked by skilled labor obtained from Germany, England, or the United States. The yearly produce of Russian industry is estimated at 1,000 million roubles, or about 715 millions of dollars. Official reports are not accessible to illustrate the growth of the productive power of Russia during the last few years. In 1866 the following report was officially published on this subject:

## RUSSIAN MANUFACTURES, 1866.

<i>Description of product.</i>	<i>No. of manufactories.</i>	<i>No. of workmen.</i>	<i>Value of product. Roubles.</i>	<i>Value of product. Dollars.</i>
Textile fabrics.....	9,080 ..	319,503 ..	255,083,555 ..	182,202,539
Wood .....	3,849 ..	15,400 ..	9,246,434 ..	6,604,595
Animal products.....	8,595 ..	47,873 ..	67,204,426 ..	48,046,018
Mineral products.....	8,337 ..	59,106 ..	20,600,125 ..	14,714,375
Metal products.....	1,739 ..	137,991 ..	71,908,923 ..	51,363,516
Chemical products.....	1,570 ..	14,413 ..	9,521,750 ..	6,801,250
Tobacco.....	5,402 ..	28,795 ..	13,810,367 ..	9,871,690
Breadstuffs.....	46,106 ..	232,289 ..	201,331,521 ..	143,806,087
Miscellaneous .....	312 ..	3,585 ..	1,870,901 ..	1,336,357
Totals.....	84,944 ..	919,025 ..	650,638,062 ..	464,746,427

As might be expected, the manufacturing industry of Russia is to a great extent in the hands of foreigners. A report presented to the Technical Society of St. Petersburg states that in the district of St. Petersburg 25 out of 32 manufactories are owned by foreigners; in the province of Moscow 22 out of 47; in the

district of the Vistula 6 out of 14; and in the Baltic provinces 21. Of the 167 manufactories in Russia where steam-engines are made, about three-fourths make locomotives and other railroad stock. But a great number of locomotives used in Russia are imported from abroad. The 167 establishments mentioned above use engines of over 6,000 horse power, and employ 41,382 workmen. They consume yearly 138,000 tons of pig iron, 164,898 tons of wrought iron, and 127,000 tons of fuel. The iron works of the Ural alone produce 70 per cent. of all the pig iron obtained in Russia, but there is room for many more iron works in that region, especially since the discovery of large coal fields within railway distance of them. At the present time two civil engineers from Russia, under a commission from the Czar, are inspecting the Canadian canals. The canal system of Russia is still in a very imperfect state, the locks being almost entirely constructed of wood. Among other great measures of improvement the Government has in contemplation extensive works to quicken and cheapen the internal communications of the Empire, and these gentlemen have been despatched to Canada and the United States to study and communicate with their Government particularly upon the great canal systems of the two countries. The severe climate of Russia, however, is unfavorable to the sinking of much more capital in works which must remain locked up in ice for several months in the year. The area of Russia in Europe is reported at 86,039 geographical miles, and the population at 63,658,934 inhabitants. The total area of the Empire, including Russia in Asia, is reported at 400,227 geographical square miles, or 8,404,767 English square miles, which equals one-sixth of the area of the inhabited globe.

The trade of European Russia with foreign countries nearly trebled in the ten years from 1863 to 1873, the imports rising from \$103,000,000 to \$322,000,000, and the exports from 111 millions to 246 millions of dollars. The value, in specie dollars, of the exports and imports of European Russia, exclusive of specie, is reported in the *Statesman's Year Book* as follows, in the ten years, 1863 to 1872:

Years.	Exports.	Imports.	Years.	Exports.	Imports.
1863...	\$111,665,000	.. \$103,625,000	1868...	\$165,880,000	.. \$189,915,000
1864...	130,230,000	.. 114,140,000	1869...	195,615,000	.. 252,840,000
1865...	146,005,000	.. 110,255,000	1870...	271,225,000	.. 244,730,000
1866...	154,245,000	.. 141,055,000	1871...	279,265,000	.. 272,785,000
1867...	164,355,000	.. 184,295,000	1872...	246,645,000	.. 322,730,000

The two principal countries trading with Russia are Germany and Great Britain. Of the imports, about forty per cent. annually were derived from Germany, and thirty-two per cent. from Great Britain; and of the exports fifty per cent. went to Great Britain, and twenty-two per cent. to Germany, on the average of the five years, 1868 to 1872.

The foreign commerce of Russia and the progress of its monetary system are set forth, in the following tables, by Mr. Dudley

P. Bailey, Jr., in a recent elaborate essay, of which we have made a free use in this article:

		Paper Roubles.	U. S. Coin.
Total imports of merchandise, 1814 to 1834....		3,598,749,329	= \$771,731,105
Annual average.....	"	179,937,466	= 38,686,555
Total exports of merchandise, " " ....		4,489,293,429	= 965,198,087
Annual average.....	"	224,464,671	= 48,259,904
Total imp. of precious metals, " " ....		644,106,132	= 138,482,817
Annual average.....	"	32,205,306	= 6,924,141
Total exp. of precious metals, " " ....		120,288,930	= 25,862,120
Annual average.....	"	6,014,446	= 1,293,106

Years.	Monetary System, January 1, each year.		Merchandise Traffic.		Gold and Silver.	
	Bills of Credit in circulation.	Metallic Reserve.	Imports. Roubles, paper.	Exports. Roubles, paper.	Imports. Roubles.	Exports. Roubles.
1849....	306,628,672	117,079,477	96,088,587	96,246,655	.....	.....
1850....	300,317,244	.....	93,918,024	98,448,172	.....	.....
1851....	356,337,021	.....	103,737,612	97,394,457	.....	.....
1852....	.....	.....	100,864,052	114,773,829	.....	.....
1853....	311,375,581	146,000,000	102,286,768	147,652,315	.....	.....
1854....	356,337,021	.....	70,358,608	65,337,681	6,301,250	12,204,496
1855....	333,443,008	.....	72,699,881	39,517,140	.....	.....
1856....	509,121,397	.....	122,562,442	160,449,872	16,219,029	5,792,342
1857....	689,279,814	.....	451,689,799	169,658,134	8,775,727	23,670,076
1858....	735,297,006	.....	149,383,950	151,175,647	6,565,470	30,797,101
1859....	644,448,790	.....	159,334,166	165,664,672	2,848,355	28,658,493
1860....	644,642,719	.....	159,303,405	181,385,281	7,147,109	9,875,544
1861....	679,877,853	96,241,618	167,111,131	177,179,985	7,128,396	16,792,353
1862....	.....	.....	152,859,978	180,429,825	18,712,900	164,960,000
1863....	.....	.....	154,637,989	151,473,154	Average.	Average.
1864....	.....	.....	155,312,202	186,745,077	4,678,000	41,240,000
1865....	651,124,599	55,431,012	164,305,010	209,747,777	.....	.....
1866....	651,098,145	57,784,145	205,270,000	222,950,000	2,970,000	28,730,000
1867....	649,545,046	59,045,888	265,270,000	244,790,000	33,570,000	14,410,000
1868....	.....	.....	260,920,000	226,600,000	39,280,000	5,760,000
1869....	724,406,213	132,434,046	341,960,000	264,440,000	2,600,000	15,160,000
1870....	721,788,189	141,216,023	335,930,000	359,860,000	2,692,000	23,820,000
1871....	715,809,284	141,837,717	368,509,000	369,271,000	7,421,000	17,675,000
1872....	724,214,040	158,127,643	435,226,000	327,041,000	13,038,000	6,905,000
1873....	763,869,451	195,954,343	.....	.....	.....	.....
Total, 1861 to 1873 (roubles, paper)			3,007,391,715	2,973,028,099		
Total, 1861 to 1873 (U. S. coin*)			\$1,954,804,600	\$1,899,968,200		
Annual average (roubles, paper)...			250,616,000	243,585,000		
Annual average (U. S. coin).....			\$162,900,000	\$158,331,000		
Total imports and exports of precious metals, 7 years—1866 to 1873..			101,589,000	113,020,000		
Annual average.....			14,512,700	16,146,000		
Annual average excess of exports of precious metals.....					1,633,300	

Total excess of exports of precious metals..... 11,431,000 roubles.  
 Production of precious metals in 7 years, 1866 to 1873, about 202,513,000 "  
 " " " " " " \$157,960,000 U. S. coin.  
 Apparent increase..... 191,082,000 roubles  
 Annual average production..... 39,016,930 roubles, = \$22,565,000 U. S. coin.

\* Exchange reckoned at 65 cents to one paper rouble.

The 12 years, 1861 to 1873, as compared with the 20 years, 1814 to 1834, show an increase of the average annual imports of more than fourfold, and of exports of more than threefold. It may be presumed that the internal commerce of the empire has increased in somewhat the same proportion. In confirmation of this, it appears that there has been a great increase in the number of companies in Russia, especially for railways. From 1821 to 1830 there were formed only three companies, with a united capital of 4,000,000 roubles; from 1831 to 1840, thirty-seven, with capital of 37,000,000; from 1841 to 1850, eighteen, with capital of 13,000,000; but from 1851 to 1860 the number increased to one hundred and twenty-six, and the capital to 327,000,000 roubles, while from 1861 to 1870 the number increased to one hundred and forty-eight, with an aggregate capital of 771,000,000 roubles. There were, January 1, 1872, 31,459 miles of telegraph lines, 58,675 miles of wire, and 595 telegraph offices, against 25,000 miles of line, 48,672 miles of wire, and 382 offices, January 1, 1869. At the end of 1873 there were 2,991 post-offices, and 58,300,000 letters were carried in that year, against 2,451 offices, and 43,629,313 letters carried, in 1868—of which about one-half, at each period, was administrative correspondence.

The financial system of Russia, as has been said, offers not a few points of similarity to our own. It is more than a century since the issue of the Russian paper money was begun. Previously the trade of the country was in a very undeveloped condition, and the exchanges were carried on by means of a copper circulation. The heavy copper bopecks previously in use were so inconvenient that the paper currency soon became quite popular. In 1788 the currency of Russia was estimated at 100,000,000 roubles of paper money, 76,000,000 roubles of gold and silver coin, and 54,000,000 roubles of copper coin; the total amount was 230,000,000 roubles, 6.57 roubles a head of the population. In 1796 the aggregate currency was 200,000,000 roubles. In 1810 the issues had increased to 577,000,000 roubles, and its value had so much depreciated that four paper roubles were equivalent to one silver rouble. In 1817 the aggregate was 836,000,000 roubles, the paper rouble being rather more depreciated, so that the silver rouble was worth 4.24 roubles of paper. The inconveniences of this depreciation became so serious that it was determined to contract the volume of the currency, with a view to enhance its value. In 1830 the aggregate was reduced to 639,000,000 roubles, but the depreciation of the paper money was almost the same after contraction as before the process began. There does not seem to have been any stringency provoked in the money market, and the paper rouble preserved for many years the same value with reference to coin.

In 1854 the Crimean war made a revolution in the monetary system, and necessitated the addition of a large amount of paper money to the existing issue, thereby increasing its depreciation. In January, 1856, the paper money circulation had increased to

509,181,397 roubles, and two years later to 755,297,000 roubles. The notes had long been inconvertible, and have remained so ever since. In January, 1859, the amount was reduced to 644,448,790 roubles. In 1860 the Imperial Bank was founded, in imitation of the Bank of England and the Bank of France, to regulate the issues of currency, and to give aid to commerce. This bank was "founded by the State, and is conducted under the supervision of the State, its directors being a committee of the Treasury and its capital subscribed by the Government." The bank has 45 branches, with an aggregate capital of \$14,580,000. The amount of its operations was \$7,776,000,000 in 1870. There are also 205 communal banks, with an aggregate capital of \$4,200,000; 115 savings banks, and 20 to 25 other large banks at St. Petersburg, Moscow, and other large towns, some of which do a large business. There are between 300 and 400 banks altogether, so that with 82 millions of people the banking facilities of the country are very imperfectly developed. During the last ten years the volume of paper money has considerably increased. On January 1, 1870, it stood at 721,788,189 roubles. On January 1, 1873, it was reported at 763,869,451 roubles, with a metallic reserve of \$195,754,343 roubles. This paper money has ranged at a discount of between 10 and 20 per cent. In 1866 the premium on silver was 29 per cent.; in 1867, 18 per cent.; in 1868, 17 per cent.; in 1873, about 16 per cent.; and in 1874, 23 per cent. There is no gold in circulation. The amount of silver coin is small, and consists of pieces of 5, 10, 15, and 20 kopecks. Its aggregate is said to be about \$27,200,000. The nominal value of these coins is twice their real value, but they are not legal tender at that rate for more than three roubles, or a fraction above two dollars.

With regard to the railroads of Russia we have more complete information. All the nations of Continental Europe have constructed their railway systems more or less by Government help. Belgium started the custom, and all the other nations have copied after her with many deviations, those of Russia showing the widest divergence. Most of the Continental railways, after a fixed term of years, will become the property of the State. The French railroads are thus helping to support the credit of the Government, because in a given period these roads with all their privileges will be available to pay off the national debt of France. So it is with the Spanish Government, whose depreciated obligations would have sunk much lower, but for the fact of this reversionary interest in the Spanish railways. The Russian Government has reserved no such privilege.

Probably no country, except the United States, has had so many difficulties in the extension of its railroad system as Russia. Its sparse population and vast area, its severe climate and backward material development, its crude fiscal system, and its deficiency of available capital, have filled with almost insuperable obstacles the path of railroad progress. The earnest zeal

with which the Emperor Nicholas urged this and other internal improvements was thus prevented from producing better results, and most of the disasters in the Crimean war were ascribed to the slow and poor facilities for railroad transportation of men and material to the Black Sea frontier. Ever since the accession of the present Emperor the work of railroad building has been pushed forward with incredible energy; the capital for the purpose being borrowed for the most part from abroad on the credit of the Government. During the ten years, 1865-75, the foreign loans of Russia amounted to \$487,075,000, most of which was designed for railroad building. The Alaska purchase money received from this country was also, as will be remembered, devoted to the same purpose. Indeed, all the energy and resources of the Russian Government have been concentrated on this extension of the railroad network. The following table shows the annual growth since 1838, when the first road was opened:

ANNUAL GROWTH OF RAILROADS IN RUSSIA.

<i>Dec. 31.</i>	<i>Versts.</i>	<i>Miles.</i>	<i>Dec. 31.</i>	<i>Versts.</i>	<i>Miles.</i>
1838.....	25	16.57	1862.....	3,174	2,103.08
1845.....	135	89.49	1863.....	3,371	2,234.57
1846.....	261	173.01	1864.....	3,461.4	2,294.49
1847.....	343.3	227.57	1865.....	3,681.9	2,440.66
1848.....	356.3	236.18	1866.....	4,351.2	2,884.32
1849.....	467.5	309.90	1867.....	4,790.5	3,175.52
1850.....	937	626.12	1868.....	6,565.9	4,352.40
1851.....	979.1	646.96	1869.....	7,748.1	5,136.06
1853.....	1,092.2	724.00	1870.....	10,574.4	7,011.00
1857.....	1,250.7	829.06	1871.....	11,624.4	7,707.00
1860.....	1,490.7	988.16	1872.....	13,217	8,761.26
1861.....	1,953.7	1,295.07	1873.....	15,842	10,560

On the 31st December, 1873, 1,740 versts more of railroad lines were in progress of construction, and 2,343 versts were projected. There were fifty railway companies, of which ten companies had constructed their lines without Government assistance; while the remaining forty were guaranteed—twenty to the full amount of their capital, and the other twenty to a partial extent. The entire sum guaranteed in December, 1873, by the Government, as interest and repayment of capital, amounted to 51,177,627 roubles, or \$36,555,445. In the year 1873 the sum of 14,592,172 roubles, or \$10,422,980, being 78.52 per cent. of the sum total, was paid out of the Russian Treasury to the railroad companies. The charters granted to the railroad companies are, for the most part, terminable after between 75 and 85 years; but some small companies have charters only for 37 years. The net earnings vary from 2 per cent. to 15 per cent. a year. The average net earnings were in 1868 5.7 per cent., in 1869 5.5 per cent., in 1870 6.35 per cent., in 1871 7.2 per cent., in 1872 7.4 per cent. It thus appears that, notwithstanding their prosperity, several of the existing roads still continue to need help from the Imperial Treasury. Several important lines do not even now earn enough to pay



the interest on the capital which has built them. The deficiency is made up by the Government, which aids the railroads in two different ways. First, it has given grants and subscriptions for the construction of the roads; and, secondly, it has given guarantees, somewhat like those given by the English Government to stimulate the railroad system of British India. The annual burden which these guarantees for expenses have laid upon the Russian Government is thus reported for the past ten years:

RUSSIAN RAILROAD GUARANTEES FROM THE GOVERNMENT, 1860-73.

Dec. 31.	Amount Guaranteed.		Paid under Guarantee.		Percentage of Amount paid to Am't guaranteed.
1860.....	\$17,455	....	.....	....	.....
1861.....	662,235	....	\$578,145	....	87.03
1862.....	4,205,535	....	3,818,295	....	90.79
1863.....	4,551,585	....	4,189,020	....	92.04
1864.....	4,601,060	....	4,062,085	....	88.20
1865.....	4,694,085	....	4,074,950	....	86.81
1866.....	5,170,055	....	3,278,430	....	63.41
1867.....	6,118,900	....	3,209,255	....	52.85
1868.....	9,356,120	....	2,602,925	....	30.91
1869.....	14,014,880	....	4,145,120	....	29.50
1870.....	15,927,060	....	4,660,255	....	29.00
1873.....	36,555,445	....	10,422,980	....	78.52
Total.....	\$105,873,615	....	\$45,941,480	....	.....

This table shows that the stipulated engagements of the Russian Government have risen from \$4,205,535 a year, in 1862, to nearly 37 millions; moreover, as these promises of Government help have augmented, so has the ability of the roads. Hence, while the amounts which were guaranteed for expenses have increased with the growth of the railroad system, the percentage of actual payment has had a steady decrease. Until the last year the roads were less dependent and more self-supporting. There is also this further point to be noted. The French and other European Governments which have aided the construction of railroads have usually done so on the condition that after a fixed term of years, the roads, with all their privileges, shall become the property of the State. The Russian Government has no ambition to own railroads, and its experience has not been favorable to such ownership. It has even, by decree of 1870, made over to a private company the Great Nicholas Railroad, which was owned and had been operated by the Government ever since its construction in 1851.

It is a well-known result of railroad growth that well located roads create traffic, and thus help to build up the country through which they pass. How far this result has been achieved from the Russian railroads we can only infer from imperfect reports. It is said that the growth of railroads has been checked because the chief trunk lines, as first laid down, were designed rather as military and Government highways, and they consequently did not take the great routes of commerce and traffic as

they might have done, if they had derived their origin from mercantile rather than from military wants. This is cited as one reason why, previous to 1868, the progress of railroad combination was so slow. In that year there was also an impetus given to internal business by a reduction of the tariff. By this and other industrial reforms the growth above referred to has had freer scope, and the whole productive system is reported to have partaken of the general prosperity.

---

## THE CONVERTIBLE BOND AND CURRENCY SCHEME.

BY HUGH M'CULLOCH.\*

The remedy for the existing trouble in the United States is not to be found in Mr. Kelley's plan of regulating the currency and restoring prosperity by means of an issue of convertible bonds bearing interest at the rate of 3 65-100 per cent. The idea of a convertible bond originated, I think, with Mr. Sherman—the difference between his plan and Mr. Kelley's (and it was a very important one) being in the rate of interest which the bonds were to bear. Mr. Sherman proposed an issue of 5 per cent. convertible bonds, but this proposition was objected to by the advocates of an exclusive paper currency, on the ground that it would lead to an early contraction; which would undoubtedly have been the case, and in this consisted its merit. Five per cent. convertible bonds would have permanently absorbed all the notes not actually required for a healthy circulating medium. They would have accomplished in due time what the provision in the original Tender act, making the legal-tender notes issued under it convertible into 5-20 bonds, was intended to accomplish. I am under obligations to Mr. Sherman for reminding me of this excellent provision, the repeal of which he so deeply regrets, because it shows conclusively that those who voted for the issue of the first legal-tender notes, did so with the intention that they should soon be retired, and not become a permanent, but merely a temporary circulation. If the provision for the conversion of the notes into 5-20 bonds had been merely suspended during the war, instead of being absolutely repealed, the legal-tender notes would long since have been out of the way, and the specie basis would have been restored. Mr. Kelley's plan is to make the rate of interest of the proposed convertible bonds so low that they will be a temporary investment only, and rarely that, never permanently absorbing the currency. The measure is supported by the pronounced advocates of a continuous issue of legal-tender notes, for the purpose of keeping in circulation what experience has proved to be a vicious currency.

\* This essay is from the thirteenth and fourteenth of the suggestive series of letters which Mr. McCulloch has addressed to the *New York Tribune*. We have omitted several paragraphs pertaining to other topics.

It has not a single look toward specie payments. The rates of interest are never reduced by a redundant currency; on the contrary, they advance with the advance of everything else which is measured by it. The usual charge for the use of money in all, or nearly all, the States, up to the autumn of 1873, was higher with a volume of currency coming closely up to \$800,000,000 than it was when the circulation of paper and gold did not exceed \$350,000,000. The rates of interest in the United States are not often as low as 3 65-100 per cent.; and if this should happen, as it sometimes might, the Government, if the proposed measure should be adopted, would receive on deposit currency which it could not safely use, and pay interest to the depositors for simply being its custodian. It is a measure which might at times reduce the deposits in banks and savings institutions, but it would be troublesome and expensive to the Government, and add to the burdens of tax-payers. It is a new dodge of the expansionists, and should receive no support from those who are earnestly in favor of a sound currency.

Nor is the remedy to be found in the destruction of the National banks. Opposition to banks has been the old hobby of politicians of the "tear-down" school. "They are soulless corporations; why should we not strike them?" "They are hard-hearted monopolists; why should they be permitted to exist under republican institutions?" This is their war-cry! Now what are banks? They are simply corporations, created by law, as the medium by which capital can be most conveniently diffused, and be the most effective help to productive industry. Banks of issue exist in all commercial countries, and when properly managed they have been found to be greatly beneficial. Coin does not exist in sufficient quantities to supply a circulating medium for the large and varied transactions of commercial States, and bank-notes, properly secured, have been found to be a convenient and desirable substitute for it. Had it not been so, banks of issue would long since have ceased to exist. The fact that they have existed for so many years in the best governed countries in Europe, as well as in the United States, is evidence of their utility. I have been in England for a number of years, and although I have met many who think that this feature or that, in the English banking system, might be amended, I have yet to meet an anti-bank man. Banks of issue, as I have said, have been found to be of great value in all well-governed countries, but the best illustration of their utility is to be found in Scotland, where there are many banks of issue, some with limited and others with unlimited liability of their stockholders, and where for more than 50 years there has never been a penny lost by their depositors or note-holders.

The Scotch banks have contributed very largely to the prosperity of Scotland in encouraging enterprise and extending trade. There is no country in Europe in which fewer restraints have been imposed upon banking, none in which the banking system

has had so free play, and there is certainly none that has made so rapid progress in development and wealth. • The Scotch are proverbial for their thrift and intelligence. If banks of issue had not proved to be advantageous they would not have failed to discover it, and yet one may travel through all Scotland without finding a single person who is hostile to its banks, or who does not assert or admit their usefulness.

The same may be said of the usefulness of most of the old banking institutions in the United States. I can speak with certainty of the States west of the Alleghenies, and I speak advisedly when I say that the State banks of Indiana, the banks of Ohio, Kentucky, Louisiana, &c., contributed very largely to the prosperity, not only of the States in which they were established, but to the prosperity of the entire Valley of the Mississippi. The people of the New England and the other Eastern States can vouch for the utility of their banking institutions. Banks of issue are coeval with the Government of the United States. Before the passage of the National Currency Act every State, with the exception of perhaps two, had established them. At the present time there is not a State nor, if I mistake not, an organized Territory in which National banks have not been organized. The old system, which was superseded by the present system, was defective in respect to the want of trustworthy security for the circulating notes in their local character, and the absence of uniformity in their exchangeable value. The National banks, with the exception of a comparatively few new ones, are the old State banks, simply re-organized with the same stockholders and under the same managers, but with a circulation of uniform value throughout the length and breadth of the land—a circulation which is so well secured that if the United States notes were out of the way there would not be a single dollar in paper money in circulation in the United States not protected by more than the equivalent of a dollar in coin, deposited in the Government Treasury. Deposits in banks are made for the convenience of depositors, who usually receive a consideration for them. These the Government does not undertake to protect, except so far as the requirements of the law and frequent examinations may protect them; but it has undertaken to provide, and it has provided by the National banking system, that all bank-notes in circulation shall be secured to the holders beyond a reasonable, if not possible contingency. I claim no share in the credit of the paternity of the National banking system. The only lobbying that I was ever guilty of—and of that I am heartily ashamed—was in opposition to it. I was then at the head of the Bank of the State of Indiana, a large and profitable institution, under the management of tried and able men, which I knew to be sound to the core, and which I foresaw must go into liquidation or surrender its privilege of issuing two dollars for one on its capital, if the new banking system went into operation. The only credit I claim in regard to the present system is for the organization of the Bureau, which I think my successors have had no

reason to complain of, and for my earnest efforts to give to the new system a fair trial. It grew into favor with me day by day, and I have now no hesitation in saying that, for the United States, it is not only vastly superior to the system which it superseded, but that it is the best system which has been or is likely to be devised.

The National banking system was not the offspring of the State banks. When I went to Washington at the request of Mr. Chase in the spring of 1863 to organize the Bureau, it had not a single friend among the banks. The managers of sound and well-conducted banks were opposed to it, because by bringing their banks into it they feared the profits of their shareholders would be diminished, and because they dreaded the constant annoyance to which they feared they would be subjected from intermeddling politicians and journalists. The managers of the banks of a different character were opposed to it, because it required absolute security to be deposited with the Treasurer for the redemption of the circulating notes. The State banks, in fact, came into the system by compulsion; but there are now, I apprehend, very few intelligent and upright bankers who do not admit the wisdom of the act and the excellence of the system. Fortunate for the country was it that the Government did not undertake to collect its revenues or pay its soldiers in the notes of suspended State banks, the most insolvent of which would have maintained the largest circulation. Mr. Chase not only secured by the National Currency Act for the whole people a sound and uniform circulation, but he thus prevented a catastrophe which might have been fatal to the Union, and which certainly would have been calamitous to the country. The National banking system was one of the compensations of the war, and if its distinguished author had rendered no other service to his country, he would, by having devised it, have been entitled to the lasting gratitude of his countrymen. It is this system, so beneficial to the whole country, and so indispensable to the newer portion of it, that some politicians are endeavoring to overthrow with the intention of supplying the place of the bank-notes, which are to be retired, by a further issue of legal-tender notes, which further issue would postpone indefinitely a return to specie, centralize the entire money power of the nation in the Federal Government, and inconceivably aggravate the evils which now afflict us.

Our banking system is thoroughly interwoven with all our pecuniary interests. It could not be overthrown without the most disastrous consequences. Its destruction would not only put a stop to bank discounts, but it would necessitate the collection of millions upon millions of debts due to the banks. It would create a financial revolution which the country is in no condition to bear. I know it may be contended that the opposition to banks means only opposition to them as banks of issue—that to deprive them of the privilege of issuing notes by no means involves the necessity of their ceasing to continue in existence as banks of

deposit and discount. It may be true that if the banks were compelled to call in their circulation, some of them would go on with the business of receiving deposits and discounting bills, but I apprehend that a large majority would go into liquidation. If they did not, what would the people gain by the change? Are the legal-tender notes any safer than bank-notes which are secured by United States bonds with 10 per cent. margin, and by the capital of the banks and the personal liability of their stockholders? Would the banks, as banks of deposit and discount, be more liberal in their dealings with their customers or in their rates of interest? Would they be any less liable to the charge of being monopolists and extortionists than they now are? What the West especially needs is a local circulation. Would it have this local circulation if greenbacks became a substitute for bank-notes. I predict, if the experiment is ever tried, that before a year passes there will be in all the Western and Southern States an outcry against the greenback system, and a demand for the restoration of the system which is now so vehemently denounced. The financial history of the United States shows that the people of the United States will have banks and banks of issue. If the National banking system, which affords a circulation of uniform value and unquestionable security, is to be discontinued, another system must be devised to take its place. What shall it be? Has any substitute for it been proposed? Would it not be wise and prudent for us to present a better system, or to improve the one we have until a better one is proposed?

The present system is, as I have remarked, manifestly superior to the one it superseded. It affords the people the uniform and safe circulation which they had long desired. It is in no proper sense a monopoly. It is in this respect free from the objections which were raised against the old United States Bank. It is substantially a free banking system, eminently adapted to our republican institutions. As far as I can judge, it has so far worked well. Let us have a proposition for an improved system before we lay our destructive hands upon it. \* \* \* \*

Upon reading the resolutions adopted by the Detroit Convention, I find that I was mistaken in regard to the proposed issue of the convertible 3.65 bonds. I had supposed that the present volume of legal tenders only was to be maintained by the use of these bonds. The advocates of an exclusive paper currency have greater ambition than I had given them credit for. They certainly do not intend, if we may judge by the resolutions referred to, that any "pent-up Utica shall confine their powers" for doing good. They are not only courageous, but they are consistent. If the legal-tender notes are, as has been asserted, the best currency the world has ever had or can have, why should the issue of them be limited? Can there be too much of so good a thing?

The framers of these resolutions are not only courageous and consistent, but they are humorous also. No one but a man of "infinite humor" could have drawn the second and fifth resolu-

tions—the latter favoring an issue of convertible bonds interchangeable with greenbacks, *to an amount equal to the whole Government debt*, and the former asserting the obligation of the Government to “furnish the people *with an absolutely safe and uniform currency, adapted in amount to their varying needs, and of a value not materially differing from that of other civilized nations.*” The Convention, however, is certainly chargeable with one important omission; it failed to tell us for what these convertible bonds are to be issued. We have been told, in song at least, that “Uncle Sam is rich enough to give us all a farm.” Are we to understand that he is rich enough to give to each of us these obligations according to our varying necessities? As the Convention probably did not consider the 5-20s and 1881s as being a portion of the debt which has been made “especially payable in coin,” it is easy to understand how the 3.65s can be issued to the amount which they represent; but as the bonds which are not upon their face payable in coin are scarcely equal in amount to one-half of the proposed issue, the Convention was certainly guilty of great neglect in not informing us for what purpose and by what means the remaining “convertibles” are to find their way into the pockets of the people. The Convention, in doing its work thoroughly, ought to have enlightened us on this point. If these convertible bonds are to be given to us, as used to be the saying in the West, “free gratis, for nothing,” we ought to know it in advance, so that we may not be taken by surprise by the munificence of a generous Government. Perhaps, however, we are not to be surprised exactly in this way, but in another, equally delightful. Perhaps we are to be relieved from taxation by the use of these convertible bonds. It may be that the Excise laws are to be repealed, and that after the bonds “not especially made payable in coin” are called in and paid off with the “convertibles,” the surplus is to be used in defraying the current expenses of the Government. It would be a “sin and a shame” not to give us at least *free whisky* with so much free money as we are to have. Then, too, it is possible that frequent and liberal “*eye-openers*,” as they are called in California, may be needed in order that we may take in the full beauties of the glorious system. With *cheap money* we ought certainly to have *cheap whisky*.

The proceedings of a mass convention numbering 500 souls ought, however, to be treated seriously, and I confess to a feeling of relief upon reading its resolutions. They mean nothing if they do not mean boundless expansion, violation of the national faith, and ultimate repudiation. The Prince of Darkness is never dangerous when he appears with the cloven feet and conspicuous tail. It is only when he comes with specious promises and captivating appearance that he leads poor mortals astray. By these resolutions the Convention threw off all disguises, and I greatly overestimate the intelligence and the probity of my countrymen, if, by so doing, it has not deprived the inflationists of much of their power for mischief.

## A DEFENSE OF THE NATIONAL BANKING SYSTEM.

## REPLY TO ROBERT MORRIS.

*To the Editor of the Banker's Magazine :*

Mr. Robert Morris, in the pages of this Magazine for August last, makes an onslaught on the National Banking system, in an article which is remarkable for the fallaciousness of its reasoning and for its unfair and misleading presentment of facts. For instance, in an endeavor to negative the claim of *uniformity* which is made for the National Bank currency, as compared with that of the old State banks, he contrasts the present depreciation of the currency with the local discount to which, in *ante-bellum* days, the notes of State banks were subjected in sections of the country distant from that in which they were issued. This local discount he arbitrarily places at a maximum of three per cent., although in fact it was often ten per cent. and upward. His argument is put in syllogistic form, in substance thus :

The utmost local discount, *before the war*, upon State Bank notes, was three per cent.

The *present* depreciation of National Bank notes is 17 per cent.

Therefore State Bank notes are worth \$14 more upon the \$100 than are National Bank notes.

Whereupon he triumphantly exclaims that he grants the uniformity, but that "it is not a uniformity of *value*—it is a *uniformity of depreciation*."

Is not this reasoning run mad? Or would Mr. Morris seriously contend that *to-day*—under a suspension of specie payments of fourteen years' continuance, which commenced long before the National banks came into existence, and for which not the banks but the war is responsible—State Bank notes would be but three per cent. below the price of gold? It is not at all probable that he would so contend. And yet it seems tolerably clear that he desired such an inference to be drawn, while he disingenuously avoided its direct assertion.

Again, Mr. Morris gives tabular statements in varied form, showing the number of banks, with their capital, which have gone into liquidation since the organization of the National system. The aggregate number he finds to be 166, with a total capital of \$29,369,410, which capital, he informs us, is nearly six per cent. of the entire capital of the National banks. It is very plain that he intends it to be inferred that this total capital has been entirely lost; for, after stating the percentage, he immediately exclaims that "this is a proportion of wreck without parallel in the history of chartered money corporations." Here, again, Mr. Morris's



unfairness is exhibited, for he omits to state the fact, which he had before him, that of the 166 banks which had ceased business, 109 had voluntarily retired from the National system and paid off their obligations—several of them having not even completed their organizations, and others retiring for the purpose of continuing business under the State system. He also fails to state the further fact, that of the remaining 57 closed banks 22 went into liquidation for the purpose of consolidating their capital and business with that of other National Associations, thus leaving but 35 banks that had actually failed. These facts were all before him, yet he stigmatizes the whole number of closed institutions as “failures.” With equal reason might he call every individual who retires from business, or who changes the nature of it, a bankrupt.

He has also overlooked the further somewhat important fact that every dollar of the entire circulation of the 166 closed banks (some \$20,000,000 in all) has ever been worth at least a dollar in greenbacks, and that no holder of a National Bank note has ever lost one penny through the closing for any cause of the institution that issued it. Wrecks, indeed! Can Mr. Morris himself show a “parallel” for this, or point to an instance in the history of his vaunted State system, or in that of any other previous system that was ever invented, in which the failure of a bank was not disastrous to its note holders?

Mr. Morris has still further forgotten to mention—it must have been an *oversight*, although he confessedly had full statistics before him—that in the cases of the 35 National banks which out of the more than 2,000 banks then organized had actually failed, the dividends already paid, together with the cash then on hand, equaled about 62 per cent. of the entire claims of their outside creditors, with, as shown in the reports from which he quotes, a certainty of further dividends in the case of 29 of them. But even assuming that no further dividends should ever be made, and that in addition to this the entire capital of every insolvent bank should prove to be hopelessly sunk, the whole resulting loss would be but about seven-tenths of one per cent. of the total indebtedness of the National banks at that date. And this, too, at the end of a period of eleven years of their existence, which period included at least two severe financial revulsions. If such an exhibit proves the National system to be a system of “wrecks,” then may we despair of ever finding safety. At all events the writer criticised may be safely challenged to produce its “parallel in the history of any and all other chartered money corporations.”

If Mr. Morris expects or desires that his reasonings shall carry conviction to candid and intelligent readers, it seems apparent that he must either study his subject with more care, or state his facts with more candor.

E. W.

## NATIONAL MORTGAGE BANKS.

The National Banking system, as established by law in the United States, is not adapted to the wants of an agricultural population, and does not meet their requirements. National Banks are strictly banks for men of active business—for merchants, manufacturers and traders generally. Their loans are limited to advances on the various agricultural and manufacturing products, while on their way from the producer to the consumer, and to the discount of accommodation notes secured by approved names. The former are expected to be liquidated in full by the sale of the products pledged for their payment; and the latter by installments at short intervals. Being prohibited by the law of their organization from making loans on the mortgage of real estate, they are from necessity exclusively banks of deposit, discount and exchange, the discounts being ordinary business or commercial paper, with accommodation loans as the exception.

The centers of business activity and manufacturing industries being in the Northern States, while the population of the extensive regions of the South and West are engaged principally in agriculture, it is apparent that the National Banking system promotes the interest of the former, while it does not meet the requirements of the latter. The busy people of the former convert their manufactured products into currency as rapidly as produced, and are thus enabled to go on steadily with the work of production; the latter, possessing only fixed capital in the shape of land, have nothing to offer to National Banks as a basis for loans, and enjoy none of the facilities furnished by banks. Their crops are marketed once a year, and for that once the business wants of the farmer comes within the prescribed domain of the National Banks; but when assistance is required to enable him to produce the crop, this source of supply is placed by the law beyond his reach. His capital is in fixed property, and, although it is the safest of all security, it is not available as the basis of a loan from a National Bank. Consequently such aid as may be required by the agricultural producer must be obtained from other sources, and always at the highest rates of expense, if obtained at all.

The same observation holds good with respect to improvements in real estate. The owner of land, finding it necessary to improve it in order to make it productive, and expecting to pay for such improvements out of the income to accrue therefrom, cannot venture on such an enterprise on short or accommodation loans. He wishes, first, to pledge the property to secure the payment of the cost of the improvements; and second, to obtain a loan on such time that the increased revenue may extinguish it, paying the interest annually and a percentage of the principal.

No prudent man can take the risk of making such improvements on temporary loans. In addition to the liability of losing his property altogether by some sudden and unexpected pressure in the money market, when the negotiation of a loan might be impossible, his attention would be frequently diverted from his usual pursuits by the necessity of renewing and shifting the debt, and of arranging matters outside of his ordinary experience.

While the National Banks supply the wants of active business men in the Northern States, the accumulations of the Savings Banks and Insurance Companies located in these States meet the local demands for loans on real estate. Mortgages are recognized as the most secure of all investments, and the local laws controlling Savings Banks generally require so much of their funds as become a permanent deposit to be invested in such security; and Insurance Companies, with their enormous accumulations, find the same investments more secure and remunerative than any others. The dense population of the New England States especially, embracing large numbers of operatives, nearly all of whom make it a rule to deposit something in the Savings Banks, accumulate an enormous aggregate of deposits, which serves as a reservoir of capital ready to meet the requirements of real estate borrowers, whether for improvements or new purchases. In these States and the State of New York the Savings Bank deposits foot up a sum of \$700,000,000, one-half of which is loaned on mortgages of real estate. The agricultural interests of those States probably receive all the help they require from these various accumulations; but in the South and West, where there are no Savings Banks or Insurance Companies with their large funds, and in which agriculture in its various branches must forever be the paramount interest, some new financial institutions are demanded to furnish the means for improvement and development.

The wealth of the Northern States of the Union is made up of fixed and movable property or capital, the latter bearing a considerable proportion to the former. At the South and West nearly the whole property may be regarded as fixed. In the latter, lands and houses form substantially all the property; in the former, in addition to these, bonds, stocks and securities of all kinds form a vast aggregate of accumulated moving or floating capital. The National Banking system seizes upon the best of these securities, the bonds of the United States, and enables the holders to convert them into a circulating medium—into money—which becomes at once a source of profit, and the means and instrument of commercial and business activity. The precious metals not forming at the present time the basis of the financial system of the country, the Government has enabled the National Banks to furnish a circulating medium by converting a certain proportion of its accumulated wealth into the convenient form of notes—this accumulated wealth being the guaranty and security for their final payment and redemption. But the restriction in the National Bank Act against loans on mortgages of real estate,

works a positive discrimination against those sections in which real estate forms the only substantial wealth. No portion of their property can be converted into a circulating medium, and they enjoy neither the profits nor facilities secured to those sections engaged in business of greater activity and possessing floating capital. The safest and most reliable forms of wealth are unavailable for banking facilities; while a secondary form, admitted to be really unexceptionable, is made the exclusive basis of the National Banking system, and the security for the circulating medium used by 40,000,000 people in their daily transactions.

The Banking system that prevailed in the agricultural sections of the country previous to the war of the Confederacy, served the double purpose of furnishing a circulating medium and supplying money to borrowers at a low rate of interest. The basis of these institutions was really coin and real estate; a reserve of coin was held to guarantee the immediate convertibility of such of their issues as might be presented in the course of business; and pledges of real estate to secure its loans—the latter in turn standing as security for the redemption of all its issues of notes beyond the actual reserve of coin kept on hand. These institutions as a class were managed with integrity and reasonable skill, and maintained their solvency up to the days of the Confederacy. They seemed to meet the wants of an agricultural community, and, by placing money at a rate of interest within the views of honest and capable borrowers, contributed largely to the development of the agricultural States, and in this development the whole country shared; its productions were increased, its trade enlarged, and its property rendered more valuable.

But this system was defective in that each State had its local currency, which was at a discount in all other sections of the country; and this discount increased with the distance to which these local issues strayed from home. Redeemable only at the office of issue, it is obvious that the expense of converting them into coin increased with the distance, and that their value, measured by coin as the standard of values, diminished perhaps in increased ratio. The character of the institutions issuing them was less known with increasing distance, and confidence, for the same reason, had no chance of establishing itself. The advantages to the whole people of the United States of a currency receivable at par throughout its utmost limits, all bearing a uniform character and secured by the same guarantees, are too great to be sacrificed; and it may be assumed that no system of local circulation will ever meet with favor hereafter. The inconvenience and loss occasioned by the use of a local currency, unacceptable in all places beyond that of its issue and receivable elsewhere only at a discount, cannot well be calculated; and a return to this system may be set down as altogether improbable and undesirable.

Fortunately the National Banking system seems to be susceptible of such enlargement as will fully meet the wants here pointed out. The Government of the United States has, through the

National Banks, mobilized a part of the movable wealth of the country, and furnished facilities to trade, commerce and manufactures; it can, by a separate class of institutions, mobilize a small percentage of the solid property of the country, and aid in promoting the interests of the larger portion of its inhabitants, who till the ground and bring wealth out of the soil. This class might be styled National Mortgage Banks, and be authorized to loan money on mortgages only. The same law can govern both classes of institutions, but in some few particulars the National Mortgage Banks should have features of their own. For this reason, it would be better to create a new class of institutions, and not change the character and uses of the National Banks now in existence, by an extension of privileges.

Their functions would be in substance the same as those of the *Crédit Foncier* of France. They should loan money on the following principles: the real estate to be unshackled by any previous mortgage; the loan not to exceed half the value of the property; the rate of interest not to exceed seven per cent.; and the principal to be payable in a term of years, so much each year or each half year. An additional charge should be made against the borrower to pay the expenses of the company, which would diminish in rate as its capital increased. They should not receive deposits, but might issue bonds of fifty dollars, or multiples of the same, bearing six per cent. interest, payable semi-annually, running for any term not less than two years nor more than ten. They might also be authorized to guarantee the mortgage bonds upon which loans had been made, and dispose of them to investors in Europe and America. If a mortgagor failed to meet the annual interest and to make the annual payment on the principal, the whole property to be sold at public auction in the county in which it is located, and the debt paid. These National Mortgage Banks would thus exist by virtue of a general law, and be under the same supervision as National Banks. They should have as large a capital as could be used advantageously in any locality; and should be entitled to issue circulating notes upon the deposit of United States bonds, under the same regulations as National Banks. The circulating medium would not be increased beyond the limit fixed by law for the whole country, but the agricultural districts could obtain their share of circulation and participate in its profits. If the capital of a Mortgage Bank were invested in United States bonds bearing five per cent. interest, upon which ninety per cent. in circulation was obtained as now by National Banks, its balance sheet, with a capital of one million dollars, would present the following result:

## LIABILITIES.

Capital stock.....	\$1,000,000
Circulation .....	900,000
	<hr/>
	\$1,900,000

## ASSETS.

United States bonds, five per cent.....	\$1,000,000
Premium on bonds .....	150,000
Redemption fund.....	45,000
Mortgages at seven per cent. ....	705,000
	<hr/>
	\$1,900,000

The expenses of the bank being provided for out of the additional charge to borrowers, there would be to divide among stockholders annually the following income:

Interest on United States bonds, gold....	\$50,000
Premium on gold .....	7,000
Interest on mortgages.....	49,350
	<hr/>
Total profits.....	\$106,350

This would give an annual net profit of about ten per cent., and, being the income from real estate securities, would render the capital stock a desirable investment.

The capital stock of these National Mortgage Banks should be free from taxation of all kinds; else, either the rate of interest on loans would have to be advanced to near ten per cent., or a heavy additional charge imposed to cover this item of expenses. Any real increase in the rate of interest above seven per cent. would tend largely to impair the usefulness of these institutions, and Congress should expressly provide for exemption of their stock from all taxation. First, because the capital would be invested in United States bonds; for, if the capital were invested by each stockholder individually and directly, the investment would not be subject to taxation, and no good reason is apparent why investments made conjointly should stand on different grounds from investments made singly. Second, because its funds would be invested in property already taxed by the State, or in property created by the loan and liable to taxation; and to tax the capital, increasing the rate of interest on loans, would be a double tax to the borrower. Third, because the rate of interest should not exceed the limit of seven per cent., if the National Mortgage Banks are to be made capable of the largest usefulness and greatest development.

The full effects of the existing partial distribution of currency in the United States are not apparent, except upon very careful examination. Complaint is made that the Northern States have all the National Banks and reap all the profits of the circulation, while the agricultural sections have few or none. The usual answer to this is, that banks cannot be established except upon pre-existing accumulations of capital, and that until such accumulations have been made, in the South and West, there is no basis for them; but the true answer is, the National Banking system mobilizes a part of the unfixed property of the country—converting it into a circulating medium—but forbids the use of real property in the same way; and, until real estate shall be included as the basis of a banking system, the agricultural sec-

tions never can get their share of banking facilities. Having only fixed capital, and there being no real increase in floating capital, they are unable to create any basis under the present law for a circulating medium. As a consequence, the money used by these sections is supplied by the North and East, and the profits thereon go in that direction. It flows to the agricultural sections once a year to purchase and move the crops, but seldom for investment or loan. Having moved the crops it flows back again to the commercial centers, not because it is wanted there and not wanted by the agriculturists, but because it was loaned by the banks at the North for a temporary purpose, and returns to effect the payment of the debt. If it flowed freely, according to the wants of the different sections of the country, it would not remain at the money centers at two, three, or four per cent. per annum, when it could readily obtain twelve, eighteen, or even twenty-four per cent. in the agricultural sections. The currency gravitates to the North, where the National Banks are, and none remains where National Banks do not exist. Can it be doubted that this ebb and flow of currency is partly due to the location of the National Banks in certain sections of the country, and of their privilege of furnishing the circulating medium for the whole, and enjoying all its profits? In those sections are National Banks and cheap money; in the others, no banks and ruinous rates of interest.

The general effects of the present distribution of the currency seem to fall with peculiar weight upon the planter. Many persons believe that the agricultural sections of the country are becoming poorer and poorer every year; that neither good nor bad crops retard the gradual and steady approach of impoverishment. By some this is attributed to the operation of the protective tariff; but a more direct and potent cause is the excessive rates of interest the farmers and planters of the West and South are required to pay. All the profits of agriculture are absorbed, and the same thing will continue until the normal rate of interest can be reduced. The only practicable plan of effecting a reduction in the rate of interest seems to be through such a modification of the National Banking system as will make it applicable to the property existing in those sections, converting a limited percentage of its fixed property into a floating and working capital. The Government has undertaken to furnish a circulating medium for the whole country upon the basis of certain property owned only in one part of it. Hence plethora of money in that part, and absolute scarcity in the other; cheap money in the former, and dear money in the latter.

Under the operation of the present free banking law, the effect of the establishment of a number of National Mortgage Banks would be to increase the local circulation in the agricultural States, and diminish at the same time the volume of greenbacks, thus making a step in the direction of specie payments. They would exist as a class of institutions devoted especially to the interest of real estate and real estate owners in all sections of the country.

Restricted to these interests, they would move in harmony with the National Banks now existing,—one meeting the wants of farmers and planters, the other of merchants and manufacturers. A uniform currency would be maintained throughout the country, all based upon the same security. Capital seeking permanent investment would find the National Mortgage Bank an attractive one, owing to the peculiar character of their loans, and their establishment would be demanded in many sections of the country. The clamor for more currency would cease, as the real basis for the issue of currency would be so widened as to embrace all interests and sections, and this would be accomplished without creating any redundancy of currency; it would displace legal-tender paper money by National Bank circulation, and insensibly lead up toward a resumption of specie payments. The country would fall into the true way to accomplish resumption without panic or financial crisis, through the increase of population and the effects of law, co-operating to the same end.

W. B. GULICK.

COLUMBIA, S. C., Aug. 28th, 1875.

---

[We print the foregoing suggestive communication because we approve of the object which its writer has in view, though we have grave objections to certain parts of his plan. The proposal to give to the Mortgage Banks the power to issue currency is a dangerous one, even under more rigid restrictions than are intimated above.—Ed. B. M.]

---

## RECOVERY OF MONEY PAID ON FORGED CHECKS.

SUPREME COURT OF MISSOURI, MARCH TERM, 1875.

*Third National Bank of St. Louis v. Allen et. al., Appellants—  
Appeal from St. Louis Circuit Court.*

WAGNER, J.—This was a suit to recover the amount of a check drawn on and paid by the plaintiff, but altered before payment.

The facts as they appear from the record, are substantially these: Thomas Rhodus & Co., a business firm, keeping their accounts with the plaintiff, drew a check on it for \$20, payable to a stranger. On the day of the date of the check, a stranger, representing himself as an employee of Rhodus & Co., appeared at the counter of the defendants, who were private bankers, and negotiated for the purchase of a quantity of gold, to be paid for in currency, and then retired. Afterward, during this same day, this stranger returned to defendants' banking house, bringing with him what purported to be the check of Rhodus & Co., payable



to defendants for the exact amount in currency required to pay for the gold previously negotiated for, and delivered the check to the defendants, who then and there delivered to him the gold contracted for. This occurred during business hours on Wednesday. The next day (Thursday), the defendants presented and the plaintiff paid the check, the defendants' name being indorsed thereon. The check paid was the same that was drawn by Rhodus & Co., and which before it reached defendants was altered by substituting \$368.38 for \$20, and the name of defendants as payees instead of the original payee. There was nothing in the appearance of the check, or in the conduct of any one connected with the transaction, calculated to excite suspicion. The plaintiff's evidence showed that it discovered the forgery the next day after it paid the check, and immediately on the same day notified the defendants of the forgery, whilst on the other hand the defendants' witnesses testified that they received the notice the second day after the payment.

The case was tried before the Court without the intervention of a jury, and at the instance of the plaintiff three declarations of law were given: First, the defendants were bound to use ordinary diligence in the discovery of the forgery, and if it appears from the evidence that the defendants were guilty of negligence in failing to discover the forgery, and that plaintiff paid the amount of the draft to the defendants in ignorance of the fact that it was a forgery, then plaintiff is entitled to recover; second, if plaintiff paid the draft to defendants without knowing it to be forged, and without any reasonable cause to believe it to be a forgery, but supposing it to be a genuine draft for the amount of money called for on its face, the plaintiff is entitled to recover, provided notice was given to defendants of the fact within a reasonable time after the discovery of the forgery; third, if the notice of the fact of forgery was given to defendants on the day it was discovered by plaintiff, although it may have been two days after the payment of the draft, the Court will hold that such notice was within a reasonable time. The defendants then asked the Court to declare the law to be, that, upon the evidence and the facts admitted by the parties, the plaintiff was not entitled to recover. This declaration was refused, and a judgment was then rendered for plaintiff.

It seems to be well settled that money erroneously paid, or allowed, under mutual ignorance or mistake of facts, may be recovered back. The cases founded on mistake seem to rest on this principle: that if parties, believing that a certain state of things exists, come to an agreement with such belief for its basis, on discovering their mutual error they are remitted to their original rights. *M'wat v. Wright*, 1 Wend. 335-6, per Savage, Ch. J. As money paid under a mistake of fact may always be recovered back, one who pays money on forged paper, by discounting or cashing it, can always recover it back, provided he has not

materially contributed to the mistake himself, and has given a sufficiently early notice of the mistake to the other party after he has discovered it. As to what is a sufficiently early notice, or, in other words, reasonable time, there has been considerable difference of opinion. In the earlier English cases, it was strictly held that the payor could not recover back the money unless he gave notice on the very day of the payment, and before any change of circumstances. 2 Pars. N. & B. 598, and note.

But in this country this doctrine has not generally prevailed. The American courts have mostly repudiated it, and the accepted rule is, that the payor must be allowed a reasonable time to detect the forgery and demand restitution. What will amount to a reasonable time will greatly depend on the circumstances of each particular case. It is conceded, at all events, that it is not necessarily the very day of payment, nor the day after. For, one who passes a forged bill, it is said, cannot avoid his liability on pretense of delay in detecting the forgery and giving notice; and reasonable diligence is all that can be required. Therefore, where no negligence is imputable to the drawee in failing to detect the forgery, want of notice within the time which ordinarily charges previous parties on negotiable paper is excused, provided it be given to the holder as soon as the forgery is discovered. 2 Pars. N. & B. 599; *Canal Bank v. Bank of Albany*, 1 Hill. 287; *U. S. Bank v. Bank of Georgia*, 10 Wheat. 333; *Bank of Commerce v. Union Bank*, 3 Comst. 230; *Espy v. Bank of Cincinnati*, 18 Wall. 604.

In the case of *Espy v. Bank of Cincinnati*, 18 Wall. 604, Stall and Meyer, customers and depositors with the First National Bank of Cincinnati, made their check on that bank for the sum of \$26.50, payable to the order of Mrs. E. Hart, and delivered it to a stranger to all the parties to the transaction out of which the controversy arose. The man erased the name of the payee and the amount for which it was given, and inserted the name of "Espy, Heidelberg & Co., bankers and brokers," and also the sum of \$3,920, and passed it to Espy, Heidelberg & Co., in payment of bonds and gold which he purchased of them. The check was paid by the bank through the Clearing-House, and the next day the fraud was discovered, and the bank made a demand on Espy, Heidelberg & Co. for the amount, as paid through a mistake. Judge Miller, writing the opinion of all the judges, after making the above statement of facts, said: "If this were all the case, there could be no doubt of their right to recover. The principle that money so paid under a mistake of the facts of the case can be recovered back is well settled, and in the case of raised or altered checks so paid by banks on which they were drawn, there are numerous well-considered cases where the right to recover has been established, when neither the party receiving, nor the party paying, has been in any fault or blame in the matter."

In that case as in this, the fraud was not discovered till the day after the payment was made, and it is not shown when the notice was given, and no point appears to have been made upon it. The case is the latest on the subject, and gives the great weight of the National tribunal in opposition to the early English cases, and in favor of the predominant American doctrine.

In the case of the *Canal Bank v. Bank of Albany*, 1 Hill, 287, the payment was made on a forged indorsement, on the 28th of March, 1839, and on the 7th day of June thereafter the plaintiff called on the defendants, and asked to have the money refunded, notifying them, at the same time, of the forgery; and it was decided that they were entitled to recover. Mr. Justice Cowen examined the English cases and strongly disapproved of them, and in the course of his opinion, said:

"But I am not willing to concede that delay in the abstract, as seems to be supposed, can deprive the party of his remedy to recover back the money paid under the circumstances before us. It is said that the defendants had indorsers behind them; and by delay they were prevented from charging them by giving reasonable notice. Admit this to be so. The plaintiffs did not stand in the relation of a holder. They were the drawees, and advanced the money by way of payment. They would never, therefore, think of notice to the defendants till they accidentally discovered the forgery. If there had been any unreasonable delay after such discovery, another question would be presented." Same point, *Bank of Commerce v. Union Bank*, 3 Comst. 230; *Kingston Bank v. Ettinge*, 40 N. Y. 301.

In *Koontz v. Central National Bank*, 51 Mo. 275, the draft was paid by mistake in July and no notice was given to the defendant of the error till the following December, and we held that the plaintiff might still recover. The case of the *U. S. Bank v. Bank of Georgia*, 10 Wheat. 333, and the *Gloucester Bank v. The Salem Bank*, 17 Mass. 33, are strongly relied on by the counsel for the defendants in this court. They were both cases where the banks had received their own notes in payment. In the *United States Bank v. Bank of Georgia*, the parties had had mutual dealings, and the latter received a quantity of its own notes in payment of a balance. It appeared that part of these notes were forged, and it retained them nineteen days without notifying the plaintiffs of the fact. The Court admitted that the modern authorities, in a strong manner, asserted that a payment received in forged paper or in base coin was not good, and if there was no negligence in the party he might recover back the consideration; but they distinguished the case. They proceeded upon the theory that the notes in question were not the notes of another bank or the security of a third person, but they were received and adopted by the bank as its own genuine notes in the most absolute and unconditional manner. They were treated as cash, and carried to the credit of the plaintiff, in the same manner as if they had been genuine notes or coin. It was deemed that

considerations of public convenience and policy would authorize a distinction between cases where a bank receives forged notes purporting to be its own, and those where it receives the notes of other banks in payment or upon general deposit. It has the benefit of circulating its own notes as currency, and commanding thereby the public confidence. It is bound to know its own paper and provide for its payment, and must be presumed to use all reasonable means, by private marks and otherwise, to secure itself against forgeries and impositions. Under such circumstances, the receipt by a bank of forged notes, purporting to be its own, must be deemed an adoption of them. It has the means of knowing if they are genuine; if these means are not employed, it is evidence of that neglect of duty which the public have a right to require. But whilst laying down the above propositions as controlling the particular case, the doctrine was recognized, that in relation to forged bills of third persons received in payment of a debt, a recovery may be had if notice is given within a reasonable time. The case of *The Gloucester Bank v. The Salem Bank* was where forged notes of the latter had been paid to the former, and upon a subsequent discovery the amount was sought to be recovered back. No notice was given of the doubtful character of the notes until fifteen days after their receipt, and no actual averment of forgery until about fifty days. The notes were in a bundle when received, which had not been examined by the cashier until after a considerable time had elapsed. The Court said: "The true rule is, that the party receiving such notes must examine as soon as he has opportunity, and return them immediately. If he does not, he is negligent, and negligence will defeat his right of action. This principle will apply in all cases where forged notes have been received, but certainly with more strength where the party receiving them is the one purporting to be bound to pay. For he knows better than any other whether they are his notes or not, and if he pays them or receives them in payment, and continues silent after he has had sufficient opportunity to examine them, he should be considered as adopting them as his own."

Neither of these cases is in opposition to the principles of law announced previously in this opinion, but they are rather confirmatory of them. The Court has found here that the plaintiff paid the forged draft under a mistake of fact, and its right to recover is undoubted.

The discovery of the forgery was made on the next day after payment, and whether the defendant was notified on that day or the next succeeding, in either event we think it was within a reasonable time. A point has been raised here that there was no offer to return the draft, but that does not appear to have been raised in the pleadings or passed upon in the court below.

We think the judgment should be affirmed; the other judges concur.

## STATE RIGHTS OVER NATIONAL BANKS.

The Comptroller of the Currency sometime since transmitted letters from the First National Bank of Florida, and the Citizens' National Bank of Raleigh, to the Solicitor of the Treasury, for his opinion as to the right of a State to impose a license tax upon the capital of National banks, and also the right of State officers to examine National banks, or to require reports to be made to them of their affairs. The Solicitor has given an elaborate opinion that a license tax upon the capital of a bank cannot be enforced, and that such officers have no right either to examine or to exact reports from National banks. He says: "This entire legislation is at variance with the law as adjudicated, and subversive and destructive of the principles governing the relations of the Federal and State Governments." We have received a copy of the opinion of the Solicitor, and publish it in full for the information of our readers.

DEPARTMENT OF JUSTICE,  
OFFICE OF THE SOLICITOR OF THE TREASURY, }  
WASHINGTON, D. C., Sept. 18, 1875.

SIR: I am in receipt of your communication, requesting my opinion as to the constitutionality of an imposition by a State of a license tax upon National banks, or a tax upon their capital.

The laws of Florida, ch. 1,976, sec. 11, provide that "all banks and bankers . . . shall pay a license of one hundred dollars," and that counties . . . "may impose such further or other license taxes or rates for county . . . purposes, not exceeding one-half of the amount levied by the State, as they may deem proper."

The County Commissioners for Duvall County, Florida, levied one-half of the amount imposed by the State, and the Collector of said County demanded \$150 for the State and County license, of the First National Bank of Florida.

The 15th Section of the Revenue Law of North Carolina assumed to impose, "in addition to the *ad valorem* tax on capital invested, annually a tax according to *capital* invested, upon every National bank, savings bank, or association," &c.

In North Carolina (Laws 1874-5, ch. 205), it is attempted to subject National banks to inquisitorial powers by the Secretary of State, to enforce reports to him of their affairs, to secure and pay for his certificate of approval, and it is made a misdemeanor in officers of such institutions, punishable by fine and imprisonment at the discretion of the courts, to transact business without first having obtained a certificate of such approval. There are other provisions more exposed to criticism, but not necessary to be considered or enumerated in this connection.

The Attorney-General for the State of North Carolina has promulgated his opinion that chapter 205 (Laws 1874-5) is binding upon National banks. The authorities have expressed a determination to enforce the provisions of the act.

The Revised Statutes, sec. 5241, provided that "no association shall be subject to any visitatorial powers other than such as are authorized by their title, or are vested in the Courts of Justice." This provision directly precludes the Law of North Carolina, 1874-5, ch. 205.

The entire legislation under discussion is at variance with the law as adjudicated, and subversive and destructive of the principles governing the relations of the Federal and State Governments.

I believe the following propositions will dispose of the questions involved, and I am satisfied that they are based upon acknowledged law and principles.

I. Congress possesses the power to incorporate a bank, as *incidental* to the beneficial exercise of its express powers.

The principle was introduced at a very early period of our history (the first Congress, by Act, February 5, 1791, ch. 84, incorporated a bank), it has been recognized by many successive Legislatures (in 1815, 1816, 1863, 1864, &c.), has been acted upon by the judiciary and executive departments, and has been considered as a law of undoubted obligation even in criminal cases.

"The Government of the Union, though limited in its powers, is supreme within its sphere of action."

"The nation, on those subjects on which it can act, must *necessarily* bind its component parts."

Among the enumerated powers given to Congress, we do not find that of establishing a bank, or creating a corporation. But there is no phrase in the Constitution "which excludes *incidental* or implied powers, as in the Articles of Confederation, and which requires that everything granted shall be expressly and minutely described."

Congress has power to lay and collect taxes; to pay the debts, and provide for the common defense and general welfare; to borrow money on the credit of the nation; to regulate commerce; to coin money and *regulate the circulating medium*; to establish post-offices and post-roads; to declare and carry on war; to raise and support armies, and to provide and maintain a navy, etc., and to make all laws which shall be necessary and proper for carrying into execution these powers, and all other powers vested in the National Government, or any of its departments or officers. The laws thus made are declared to be the "supreme law of the land." State officers and members of State Legislatures take an oath of fidelity to this supreme law.

The creation of a corporation appertains to sovereignty; but so does the power to make laws. The whole penal code of the United States (except in cases of counterfeiting, piracies and felonies committed on the high seas, and offenses against the law of nations, specifically enumerated) is based upon the incidental pow-

ers of Congress as essential to the beneficial exercise of its express powers. The power of punishment appertains to sovereignty as *incidental* to express constitutional powers; and the power to create a corporation is not, like the power of making war, a great substantive and independent power, which cannot be *implied* as *incidental* to other powers, or used as a means of executing them. . . The power of creating a corporation is never used for its own sake, but to effect something else, and it may pass as *incidental* to those *powers* which are expressly given, if it be a *direct mode* of executing them. *McCullough v. Maryland*, 4 Wallace R., 316.

To use a bank must be within the discretion of Congress, if it be the means of executing the powers of Government. It is the function of the legislative department, if the law is calculated to effect *any of the* objects intrusted to the Government, to decide upon the degree of its necessity. The choice of means implies a right to choose a National bank in preference to State banks, and *Congress alone* can make the decision. *McCullough v. Maryland*, 4 Wallace R., 316.

The Bank of the United States was declared to be constitutionally created, and to be free from State taxation as to the bank and its branches.

The qualities, powers and duties, as National agencies, of these National banks, resemble, in almost all essential particulars, those of the Bank of the United States authorized by the Act of April 10, 1816. Like that bank, they are organized under National legislation. Their capital, like four-fifths of the capital of that bank, is supplied by individual subscription. They are employed, like that bank, as agents and depositories of the National Government.

The National banks are subject to no control except that of the Government executing the law; their notes, besides being secured as to immediate redemption by the several associations, which pay them out, through the deposit of United States bonds, are in substance, and to all practical intents, the obligations of the Government itself; and are intended, in connection with the notes issued directly by the Government, to supply the entire note circulation of all the States and all the Territories of the Union.

The general supervision of their action was committed to the Comptroller of the Currency; one-third of their capital to be invested in interest-bearing bonds of the United States; their circulating notes are prepared by the Federal Government, and they are convertible immediately into notes of the United States, and convertible into coin as soon as the Government shall provide for the payment of its own notes in that medium. Their notes were made receivable for all debts and liabilities whatever; receivable by all associations—employed as depositories, when deposited by the United States; receivable also by the United States for all dues except duties on imports; and by all persons for all dues from the United States, except interest on the public debt. (See *Van Allen v. Assessors*, 3 Wallace R., 373, *passim*.)

A State cannot constitutionally tax a National bank, either by license tax or tax upon capital.

The recognized limitations of this proposition are the right to tax real estate, and the interest of citizens of a State in an institution in common with property of the same description throughout the State.

A license tax is "like one assessed to the franchise as a royalty for the grant. (*Bank of Commerce v. New York*, 2 Black. R., 629.)

The General and State Governments have respectively the power to levy taxes for their own appropriate uses, without in any way interfering, or having the right to interfere, with the just powers of the other. (1 Story on the Constitution, sec. 1,034.)

The State cannot tax a franchise created by another sovereignty, to-wit, the Government of the Union. (*Bank of Commerce v. New York*, *supra*.) The powers of a State cannot rightfully be so exercised as to impede and obstruct the free course of those measures which the Federal Government may rightfully adopt. (*Id.*) "Such is the paramount character of the Constitution, that its capacity to withdraw any subject from even this power" (of taxation by State) "is admitted; as in the limitation to laying duties on imports and exports." (*McCullough v. Maryland*, *supra*, p. 425.)

The Constitution, and the laws made in pursuance thereof, are supreme; they control the Constitution and laws of the States, and cannot be controlled by them. (*Id.*, p. 426.)

That the power of taxing a National bank by the State may be exercised so as to destroy it is too obvious to be denied. (Marshall, C. J., *id.*) A State Legislature, unrestricted by constitutional prohibition, has power to exempt certain property from taxation. (*Tomlinson v. Cranch*, 15 Wallace R., 460.) As State constitutions are within the control of the people thereof, they could permit such discrimination as to destroy all National banks, or other agencies of the Federal Government, unless the *paramount* authority of the Government of the Union is maintained.

A part cannot be greater than the whole. The sovereignty of a State extends to everything which exists by its authority, or is introduced by its permission; but does not extend to those *means* which are employed by Congress to *carry into execution powers conferred* on that body by the people of the United States. (*McCullough v. Maryland*, 4 Whea., p. 420.)

The Bank of the United States and the National banks are agencies of the Government, and, therefore, are necessarily exempt from State taxation. See *McCullough v. The State of Maryland*, 4 Whea. 316; *Osborne v. United States Bank*, 9 Id. 74, and the doctrine is sustained in all later cases.

The case of the *National Bank v. Commonwealth* (Kentucky), 9 Wallace, sec. 53, disposes entirely of the tax sought to be imposed upon capital of National banks by the Revenue Law (North Carolina), sec. 15, and the cases are nearly parallel.



The power to tax National banks, or fiscal agencies, is concurrent with the power to borrow money, sec. 6, and not concurrent with the power of State to tax.

III. The Federal stocks and bonds are exempt from State taxation. They form a large, if not the entire, capital and reserve of National banks. The cases sustaining this position are: *Weston v. City of Charleston*, 2 Peters. R. 449; *Bank of Commerce v. New York*, 2 Black. R. 628; *Bank Tax Case*, 2 Wallace R. 200; *McCullough v. Maryland*, 4 Whea. R. 316; *Osborne v. Bank of United States*, 9 Id. R. 738.

The power of the Federal Government to borrow money could, on any other theory, be defeated and destroyed by any State. A tax equal to the rate of interest on the Government securities would manifestly render them worthless.

Under the National Currency Act of 1864, secs. 40 and 46 (R. Stat. at Large, 99), the only permissive legislation of Congress touching the subject of State taxation of the *shares* of National banks is set out. It has been adjusted that the *shares* of the stockholder in National banks are subject to State taxation, without deducting the amount of the capital invested in Government securities. *Van Allen v. Assessors*, 3 Wallace R. 573; *People v. Commissioners*, 4 Wallace R. 244; *Bradley v. People*, 4 Id. R. 459. These cases were decided upon the theory that the tax upon shares was not a tax upon Federal bonds, but was taxed upon the benefits the shareholders would derive from them under a privilege conferred upon their use in these associations, under the Act of Congress (*i. e.* dividends), and not contemplated in the loan acts. The tax was not a tax upon the *capital* or franchise of the bank.

In the two former cases (*Van Allen v. Assessors*, and *People v. Commissioners*), a strong dissent was made to the opinion of the Court by Chase, C. J., and Wayne and Swayne, JJ., upon the proposition that taxation of *shares* was *actual*, though indirect, taxation of United States *bonds*, so far as the same comprise the capital of National banks, and so expressly prohibited by Act of February 25, 1868, as amended and re-enacted June 3, 1864.

To summarize, I am of opinion that States cannot tax: (*a.*) The agencies of the National Government on capital or for franchise. (*b.*) The National securities in the hands of individuals, except under Act June 3, 1864, sec. 41, as adjudicated in *Van Allen v. Assessors*, 3 Wallace R. 573, and later cases affirming the doctrine therein expressed. (*c.*) The National securities in which may be invested the whole or any part of the capital of any association or corporation.

I return herewith your enclosures.

Very respectfully,

BLUFORD WILSON, *Solicitor of the Treasury*.

Hon. JOHN J. KNOX,  
*Comptroller of the Currency, Treasury Department.*

## INQUIRIES OF CORRESPONDENTS.

## I. AMERICAN SECURITIES HELD ABROAD.

*To the Editor of the Banker's Magazine:*

It would be, it seems to me, interesting matter to the readers of the **BANKER'S MAGAZINE** if you would publish a statement, if the data can be obtained, of the amount of United States bonds, railroad bonds, and all other classes of bonds bearing gold interest, held in foreign countries, and of the amount of gold required to pay the annual interest on the same. The object of the statement would be to show, mainly, the total amount of bonds held abroad, and the annual export of gold necessary to pay the interest thereon. The annual production of gold and silver in our own country is estimated, for the year 1874, to be about \$74,000,000, and the question which naturally suggests itself is, how much of this amount is absorbed in the payment of interest to the foreign holders of our bonds? Estimating the gold and silver in the Treasury of the United States and the National Banks at \$115,000,000, and the amount in the Pacific coast States and Territories, and hoarded by the people, at \$85,000,000, we have, say, \$200,000,000 for present use.

It is fair, I believe, to assume that the specie value of the exports of our agricultural and other products (exclusive of specie) will nearly equal the specie value of our imports of general merchandise, leaving the difference between our annual gold and silver product and the payment of the annual gold interest to foreign bondholders, to accumulate and to facilitate the resumption of specie payments. It occurs to me that you would have, in the statement, suggested a basis for solving the problem, How and when is the resumption of specie payments practicable, without disturbing the \$760,000,000 of irredeemable paper money now in circulation?

S. B.

EVANSVILLE, Ind., Oct. 2, 1875.

REPLY.—Any estimate of the amount of United States bonds and other securities held abroad, is purely conjectural. In 1866 Mr. McCulloch estimated them as follows: Governments, \$350,000,000; State and Municipal, \$150,000,000; Railroad, &c., \$100,000,000; total, \$600,000,000. In 1869 Mr. Boutwell placed the total amounts at \$900,000,000. In 1875 the current idea in Wall street approximates \$1,300,000,000 as thus held.

Our correspondent loses sight of an important factor in our foreign exchanges, viz., the flow of capital hither for investment. This, too, is an unknown as well as a fluctuating quantity, and it is impossible to fix, with any safety, upon a sum which can thus serve as a basis for correct computation in endeavoring to solve the resumption problem.

## II. MUST "VALUE RECEIVED" BE EXPRESSED IN A NOTE?

NEW YORK, September, 1875.

Is a note made without the words "for value received," a legal obligation against the maker?

REPLY.—Yes. Although commonly inserted, this expression is not essential by our law, except where positively required by some statute provision in respect to some particular class of notes. "In some of the States if a *non-negotiable* note does not contain the words 'value received' it does not import value, and the payee must prove a consideration; although it is otherwise in negotiable notes" [Story on Promissory Notes, § 51].

## III. NATIONAL BANKS AND REAL ESTATE SECURITY.

## — NATIONAL BANK, MASS., 1875.

I cannot quite understand the question of your correspondent from Wooster, Ohio, on page 61, July number, and will thank you for an answer to the following: Suppose we hold a note of John Brown indorsed by Samuel Smith, which is due and unpaid, we take a new note with the same maker and indorser, asking indorser for more security. He proposes to give us mortgage note to him of W. Jones, and assigns mortgage to us. Have we not a perfect right under the National Bank Act to accept the same, and would it not be as good security to us as to a private individual? If not what does Sec. 5,137, National Bank Act, and Amendments, 1875, mean?

## COLDWATER, MICH., 1875.

On page 61, in your July number, you express an opinion that "mortgage notes" cannot be taken to secure a loan at a National Bank. I consider this rule requires considerable qualification. With us the mortgage on lands is to secure the payment of the note or bond given collateral with the mortgage. You *may* collect the note by action at law, levy on any property—even the mortgaged property—and collect without any resort whatever to the mortgage. The person who gives the note may have ample assets out of which to make collection. Now if a bank takes a note given with a mortgage, and does not resort to a foreclosure to collect, but proceeds as though no mortgage was given, why is not the security to the bank loan a good one?

REPLY.—In the former case a National Bank is plainly authorized by the law to take real estate security, it being "to secure a debt *previously* contracted." In the latter instance, the note given may be taken simply as a promissory note, but the mortgage is clearly useless to the bank. The real estate as any security is out of the question. If the intention of this prohibitory clause in the National Bank Act was to prevent entirely the discounting of "long-winded" paper, it is certainly a good one, for when floating capital becomes fixed capital the function of a banker comes to an end.

---

A VENERABLE CASHIER.—Mr. Amos Townsend, Cashier of the National New Haven Bank, completed his fiftieth year of continuous service in its employ on October 15th. For eighteen years he has been the sole survivor of all his original associates in the bank. In a letter to the President, written on that day, he says: "From my entrance into the bank in 1825 to September, 1865, I had not been absent from ill health a single day, and my longest absence from any and all causes was three days. I had never asked or received a vacation from labor during these forty years. In September, 1865, I took a severe cold and was confined fifteen days, and, as I had been unused to illness, I concluded that I had done my last day's work on earth, and sent in to the Board my resignation of the cashiership, to which I had been appointed January 1, 1832, on the decease of Mr. Pyncheon. This the Directors did not accept. The bank having commenced operations as a National institution, I undertook to sign the entire circulation, and this work, in my still partially prostrated physical condition, proved too great an effort, and my eyes gave out. In consequence, at the annual election for officers in January, 1866, I declined a re-election, and you were appointed cashier, while I accepted the office of assistant cashier, and did the out-door work for three years. This I was able to do in all weathers, and did not lose a single day. Out-door exercise restored my health. On the decease of President Sanford, in Jan., 1869, you were elected as his successor, and the Board was pleased to offer me the cashiership again, with the condition that, in view of my age, the weakness of my eyes, and extreme deafness, I might do what work I could. I have thus far been able to do all that has been required of me, and, I trust, to the acceptance of all interested."

## BANKING AND FINANCIAL ITEMS.

THE BANKER'S ALMANAC AND REGISTER for 1876 is now in course of preparation, and will be issued about the end of December. Bank officers and Bankers are requested to return **promptly** to this office the advance sheet containing their respective details, which is sent to each, and to advise *immediately* any changes which may occur hereafter.

Orders for the **Cards** of Banks and Bankers, to be inserted in the forthcoming ALMANAC, will be received up to November 30th. Terms, \$25 per quarter page.

THE NEW YORK CLEARING-HOUSE.—At the regular annual meeting of this Association, held October 5th, the following officers were elected for the ensuing year:

*Chairman*—George S. Coe.

*Secretary*—George F. Baker.

*Manager*—William A. Camp.

*Clearing-House Committee*—Charles P. Leverich, John L. Everitt, Charles F. Hunter, Benjamin B. Sherman, William L. Jenkins.

*Conference Committee*—Richard Berry, John Castree, Jacob D. Vermilye, Henry F. Vail, Frederick D. Tappen.

*Nominating Committee*—William H. Cox, Alexander Gilbert, Thomas Monahan, Francis M. Harris, William P. Brintnall.

*Committee on Admissions*—John Parker, R. P. Perrin, William Doud, George Montague, Charles Jenkins.

*Arbitration Committee*—N. F. Palmer, A. N. Trowbridge, J. M. Morrison, P. M. Bryson, S. R. Comstock.

THE BANKS AND THE CENTENNIAL.—The Clearing-House Committee on the Centennial Exhibition has issued the following circular:

"The committee appointed by the Clearing-House to aid the Centennial, once more appeal to the banks of this city to subscribe their respective proportion of the Centennial stock, on the basis of one-twentieth of one per cent. of their capital. This subscription is the more urgently called for, as the approach of cold weather creates the necessity that the more expensive buildings should be completed, or at least enclosed, before its arrival. The money, so far as we can judge, is judiciously and economically expended.

"The action of the banks of New York in this matter will be looked to and followed by the banks of the country. The subscription is not a gift, but an investment in a stock which this committee has reason to believe will be returned, if not wholly, at least in part, at the close of the Exhibition.

"Another reason for our prompt action is, that delay on our part may be a serious obstacle in the way of the final success of the Exhibition. It seems to us an important matter that the enterprise should be carried to a successful conclusion, and nothing should be left undone on the part of the banks to insure this result.

"With the hope that you will consider this appeal favorably, the committee beg your earnest and immediate attention.

"Please send your subscriptions to the chairman of the committee.

"CHARLES BARD, C. N. JORDAN, W. A. HALL, GEORGE F. BAKER,

"B. B. SHERMAN, Chairman, President Mechanics' National Bank."

The subscriptions are advancing favorably. The Clearing-House Committee are showing great energy in the prosecution of their work, which they consider of much importance to the banking interests of the country.

**FIVE-TWENTY BONDS.**—The Secretary of the Treasury issued on October 1st his twenty-eighth call for 5-20 bonds to be redeemed January 1st, being for \$5,000,000, one-half coupon and the other half registered issues. The bonds called are of the Act of June 30, 1864, as follows, numbers all inclusive:

<i>Coupon.</i>		<i>Registered.</i>
\$50—No. 3,301 to No. 3,700	--	\$50—No. 69 to No. 150
\$100—No. 10,501 to No. 12,000	--	\$100—No. 601 to No. 1,000
\$500—No. 15,301 to No. 18,000	--	\$500—No. 482 to No. 750
\$1,000—No. 59,701 to No. 68,000	--	\$1,000—No. 2,651 to No. 4,900
	--	\$5,000—No. 1,551 to No. 2,100
	--	\$10,000—No. 3,751 to No. 4,600

**THE SEARCH FOR UNSTAMPED CHECKS.**—The Department of Internal Revenue has issued the following circular of instructions:

TREASURY DEPARTMENT, OFFICE OF INTERNAL REVENUE, }  
WASHINGTON, September 21, 1875. }

Internal Revenue Officers are informed that examination of National Banks for the purpose of ascertaining whether the bank checks, drafts, orders, or vouchers for the payment of money received by them and stamped as required by law, will hereafter be made by Bank Examiners under the direction of the Comptroller of the Currency, and not by officers of Internal Revenue.

Examination of Bankers, Trust Companies, and Banks other than National Banks, should continue to be made as heretofore by Internal Revenue Officers.

D. D. PRATT, *Commissioner.*

**LIQUIDATION OF NATIONAL BANKS.**—The Comptroller of the Currency declared in October a dividend of 15 per cent. to the creditors of the First National Bank of Topeka, Kan., and of 40 per cent. to the creditors of the Gibson County National Bank of Princeton, Ind.

**CONFLICTING DECISIONS.**—The United States District Court for the Northern District of New York has recently decided that the usury laws of this State do not apply to discounts made by National Banks, but that the provisions of the National Banking Act are constitutional, and that if a rate of interest in excess of seven per cent. is taken the banks forfeit only the interest on the loan. The Court of Appeals rules the other way.

**THE USURY CONFLICT.**—In the United States Supreme Court a case is pending which involves the question whether or not State usury laws are applicable to National banks. Alluding to this, the *Pittsburgh Commercial* thus remarks:

"It is worth noting that the effect of a decision sustaining the opinion of the New York Court of Appeals would have exactly the opposite effect in this State to what it would have in New York. There the penalties of the State law are far heavier than those of the National Bank Act. Here, while the rate of legal interest is less than that allowed by National law, the penalty for taking a greater rate is only a forfeiture of the excess, which makes the Pennsylvania law practically the mildest of the two."

**NEW BANK.**—The Fifth Avenue Bank, organized under State charter, opened for business October 13th, on Fifth avenue and Forty-fourth street. Its officers are: Philip Van Volkenburgh, President; John H. Sherwood, Vice-President; A. S. Frissell, Cashier. This bank was organized to meet the wants of a number of the wealthy residents of that part of the city.

**MR. BENJAMIN F. WHEELWRIGHT** died on October 7th, at his residence in this city, in the seventy-second year of his age. Mr. Wheelwright was born in Boston, Mass., October 18th, 1803. He removed to this city at the age of twenty-two years, and engaged in mercantile business. In this pursuit he continued until 1837, when he retired from active mercantile life, with a handsome fortune. In 1839 he was elected President of the Greenwich Bank, in which position he remained until the day of his death. He was also President of the Greenwich Savings Bank, and one of the Trustees of the United States Trust Company.

**SUSPENSION.**—The doors of the Third Avenue Savings Bank were closed on the morning of Sept. 30th, and a notice posted that the "bank was closed pursuant to an order of the Supreme Court, granted on an application of the Attorney-General at the request of the Superintendent of the Bank Department." It had been announced a week previously that the trustees of the institution had determined to go into liquidation. The credit of this bank was seriously impaired by the run about two years ago. On the 1st of January, 1872, its deposits were \$5,081,325, which were reduced by the end of that year to \$1,435,831. On the 1st of January, 1875, the amount due depositors was \$1,451,958. It is hoped that they may realize about 50 per cent.

**SPAULDING'S HISTORY OF THE LEGAL-TENDER NOTES.**—We have received from the Hon. E. G. Spaulding advance sheets of the introduction to his new edition of this standard book, which will be ready for publication in a short time. As this is the only authentic history of the legal-tender money issued during the war, it may be proper to say that the new edition will contain precisely the same matter as the original edition, but Mr. Spaulding will make to it two copious and very interesting additions: first, the introduction of 26 pages, above referred to, and, secondly, the appendix, containing several letters and other documents from eminent financiers on the paper money question. This additional matter will, we hope, be so printed as to be available in a separate form for those persons who have the first edition. Next month we shall give some further account of this important and valuable work.

**THE LEGAL-TENDER QUESTION.**—A very interesting series of papers on this topic by Rev. C. T. Spear, D.D., has appeared for some weeks past in the *Independent*, of this city. They are nearly completed, and will at once be published in pamphlet form by Messrs. Baker, Voorhis & Co. We will speak of them further hereafter.

**DUNCAN, SHERMAN & Co.**—Mr. W. Butler Duncan has addressed another circular to the creditors of Duncan, Sherman & Co., withdrawing the proposition, which was submitted to them on the 16th of August, as it had not been accepted by a proportion of the creditors sufficient to secure the successful carrying out of the plan.

**CALIFORNIA.**—The Bank of California re-opened for business on October 2d. The deposits during the day exceeded the checks paid by about \$750,000.

In order to place the bank on a footing of unquestionable stability, a syndicate had been organized, who subscribed a guaranty fund of \$7,930,000. The leading subscribers are Messrs. D. O. Mills, William Sharon, Joseph R. Keene and E. J. Baldwin, for \$1,000,000 each; the San Francisco Stock Board and Glazier & Co., \$250,000 each; A. A. Cohen and Senator J. S. Jones, \$200,000 each; Thomas Bell, R. F. Morrow, Maurice Dore, P. Donohue and J. B. Thomas, \$150,000 each; H. M. Yerrington, N. Luning, Michael Reese, R. H. Lloyd and J. C. Morrill & Co., \$100,000 each. The officers of the bank are: President, D. O. Mills; Cashier, Thomas Brown; Secretaries, S. Franklin, W. W. Wiggins; Attorney, Samuel M. Wilson; Directors, D. O. Mills, Nicholas Luning, Thomas Bell, William Sharon, John O. Earl, William Alvord, William Norris, James R. Keene, Robert F. Morrow, George H. Howard, E. J. Baldwin.

**THE RISK OF TELEGRAPHIC PAYMENTS.**—A suit was brought by the Bank of California against the Western Union Telegraph Company to recover \$1,200, gold, paid on a fraudulent telegram sent by an occasional operator named Charles Crowell to Crowell himself under the assumed name of Charles H. Crowley. The case has been decided in San Francisco against the bank. This decision furnishes no rule, however, on the responsibility of a telegraph company under such circumstances, as it turned upon another point, viz., lack of diligence on the part of the bank in identifying the payee.

**CONNECTICUT.**—Burglars attempted, on October 1st, to rob the Rockville National Bank by getting into the vault through the floor of a church above. Their operations were discovered before they had fully penetrated the vault. Unfortunately they were not captured. A very complete set of burglars' tools was found between the joists under the church floor.

**DISTRICT BONDS.**—The Commissioner of Internal Revenue in the subjoined letter decides that bankers' capital actually invested in 3.65 District of Columbia bonds is exempt from taxation.

"TREASURY DEPARTMENT, OFFICE OF INTERNAL REVENUE, }  
"WASHINGTON, October 1, 1875. }

"SIR: I reply to your personal inquiries of to-day, that in order to ascertain 'average taxable capital,' reported in Form 67, the 'average capital' without any deduction whatever, should first be stated, as you will see by reference to the blank.

"Immediately under the entry of 'average capital' should be entered, as a deduction therefrom, the average amount of said capital invested in United States bonds; and although the blank is not now worded to admit further deduction, I am of the opinion that in addition to the above deduction the average of said capital which is actually invested in the 3.65 District of Columbia bonds, concerning which you inquire, may, in view of Section 7, Act of June 20, 1874, also be deducted. That section provides that the bonds above referred to, 'shall be exempt from taxation by Federal, State, or municipal authority.'

"Very respectfully,

"D. D. PRATT, *Commissioner.*

"H. E. OFFLEY, Esq., WASHINGTON, D. C."

**THE FREEDMAN'S SAVINGS & TRUST Co.**—The Commissioners of the Freedman's Savings & Trust Co. announce that they will commence paying a dividend of twenty per cent. on all audited claims, Nov. 1st, at their office, 1,507 Pennsylvania Avenue, upon presentation of pass-book or other satisfactory evidence of indebtedness. Creditors residing at a distance should forward their books or other evidences of indebtedness through some responsible bank or banker, or by mail or express. A check for the amount, with the book or other voucher, will be returned without delay. All checks have been drawn to the order of the original depositor, and assignments will be recognized only so far as to deliver the checks as originally drawn to the assignees. The Commissioners desire again to caution the creditors not to dispose of their claims at a sacrifice. Although they are still unable to approximate the amount the Company will ultimately pay, other dividends are sure to follow. The labor involved in settling the affairs of this institution may be inferred from the following statement: The number of open deposit accounts is 61,144. The present liabilities are \$2,905,749 39. The amount of the first dividend as above is \$591,149 87. There are about 5,000 accounts of less than \$1, and at least 15,000 accounts of less than \$5 each.

*The Washington City Savings Bank* suspended payment in September, 1873, with liabilities of about \$800,000. Since that time dividends have been declared aggregating eighty cents on the dollar. It is supposed that the final dividend will be ten per cent., thus closing the business by the payment of ninety cents on the dollar to the depositors.

**ILLINOIS.**—The suspension of the Fourth National Bank of Chicago, which took place on September 25th, caused no excitement or uneasiness there, as it had been understood for the last nine months among bankers that it was winding up its affairs. The immediate cause of the suspension was an unexpected heavy demand, which could not be met. The deposits had been reduced, since January last, from \$483,000 to about \$150,000, while the bills receivable are over \$300,000. It is estimated that deposits will shortly be paid in full, and that the stockholders will ultimately realize nearly, if not quite, the face of their shares.

**IOWA.**—The business and good-will of the People's Bank of Dubuque has been transferred to the Commercial National Bank of Dubuque, which will pay the liabilities of the former and collect its debts.

**INDIANA.**—The charter of the Laporte branch of the State Bank expiring this year, it is now succeeded by the banking house of Hall, Weaver & Co., the members of this firm comprising all the stockholders of the bank. They are very properly identified with the banking interests of Laporte, the bank and its successors having been doing business in that county since 1837.

**KENTUCKY.**—An investigation of the books of the Planters' National Bank reveals a defalcation of \$105,000, taken during the last five years by the late teller, Louis Rehm. It will be remembered that Rehm recently robbed the bank safe of \$100,000, but was apprehended and the money recovered.

The examination that reveals the defalcation was then made. The loss amounts to 30 per cent. of the capital stock and will fall on the stockholders only, the depositors being safe. The bank will go into liquidation.

**UNUSUAL STABILITY.**—The Mohawk River Bank, in Fonda, New York, has the same officers under whose management it commenced business twenty years ago. It has since then paid ten per cent. annually except the first three years, when it paid eight, and its stock is worth 150.

**TEXAS.**—A new bank, under a State charter, has been organized at Dallas, called the Exchange Bank, and has begun business with a capital of \$60,000. Its officers are: Philip E. Chappell, President; George M. Swink, Cashier; and F. Davenport, Assistant Cashier. New York Correspondent, Messrs. Donnell, Lawson & Co.

---

**CANADA.**—**MOLSON'S BANK.**—The annual meeting of this bank was held on October 11th. The report of Directors shows a very satisfactory result of the year's business, in view of the depressed condition of trade throughout Canada. The profits justify a dividend of eight per cent., while an addition of fifty thousand dollars is made to the Rest fund, now \$500,000, or 25 per cent. of the capital. The adjoining premises, heretofore occupied by the Mechanics' Bank, have been acquired at a cost of \$100,000, and are to be occupied by the Savings Department of the bank. A fitting tribute was paid to the memory of the late President, Mr. William Molson.

The same officers were re-elected, viz.: Mr. John Molson, President; Mr. Thomas Workman, Vice-President; Mr. F. Wolferstan Thomas, Cashier.

*Union Bank of Lower Canada.*—The following changes have taken place: Mr. D. P. Eastwood has resigned the management of the branch at Ottawa, and is succeeded by Mr. J. G. Leitch, late Assistant Cashier. Mr. J. V. Woolsey, late agent at Three Rivers, is no longer associated with the bank, and has been replaced by Mr. C. A. Boxer. Mr. G. H. Balfour has been appointed Inspector of the bank.

*The Merchants' Bank of Canada.*—Mr. Walter Watson, at present chief agent in New York for this bank, has been appointed its general manager.

**THE HAMBURG BANK.**—An event of some historical interest has just taken place in Germany in connection with the coinage reforms. It is the absorption in the Imperial Bank of Germany of the Hamburg Giro-Bank, the reference to whose course of business, as well as the Bank of Amsterdam, forms so interesting a chapter in Adam Smith's "Wealth of Nations." The Hamburg "valuation," which the bank established, has already been abolished, Hamburg having adopted the new Imperial marks as the standard, for a long time past, but now the Bank itself becomes a branch of the Imperial Bank of Germany. The officers of the old bank pass over into the service of the Imperial Bank. The bank, it is stated, was established in 1619, and now disappears from the scene, to use the language of the Berlin *Borsen Zeitung* in recording the fact, after 257 years of fruitful activity.

---

**THE WRITING MACHINE,** otherwise known as the **TYPE-WRITER**, is a remarkable triumph of mechanical skill. A few days' experience with it leads one to understand the rapidity with which it is coming into use and favor. We have had one for some weeks in the office of the **BANKER'S MAGAZINE**, and find it a fascinating instrument, simple in its construction and easily mastered by any one of ordinary intelligence. Testimonials as to the efficiency of the **TYPE-WRITER** will be found in the cover sheet at the beginning of this number. Orders for the machine, or inquiries concerning it, can be sent to this office. Its cost is \$125.



## NEW BANKS, BANKERS, AND SAVINGS BANKS.

*(Monthly List; continued from October No., page 323.)*

OCTOBER, 1875.

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank and President.</i>	<i>N. Y. Correspondent and Cashier.</i>
CAL.....	San Francisco.	Bank of California.....	(Re-organized.)
		D. O. Mills, <i>Pr.</i>	Thomas Brown, <i>Cas.</i>
" .....	" .....	Bank of Nevada.....	.....
COL.....	Trinidad.....	First National Bank.....	Tenth National Bank.
	\$ 50,000	Frederick D. Wight, <i>Pr.</i>	George R. Swallow, <i>Cas.</i>
DAK....	Vermillion....	D. M. Inman & Co.....	Third National Bank.
ILL....	Yates City....	Taylor & Lambert.....	Gilman, Son & Co.
" .....	Carbondale ...	Richart & Campbell .....	Donnell, Lawson & Co.
IOWA ...	Montezuma....	Bank of Montezuma.....	Importers & Traders' Nat. Bk.
" .....	Sigourney.....	Union Bank.....	Gilman, Son & Co.
KAN....	Salina.....	Salina Bank.....	Donnell, Lawson & Co.
" .....	Minneapolis ...	H. S. Wooden .....	Corbin Banking Co.
MASS... Boston .....	Merchandise National Bank	.....	.....
	\$ 250,000	Israel G. Whitney, <i>Pr.</i>	Edward O. Rockwood, <i>Cas.</i>
NEB....	West Point....	Elkhorn Valley Bank .....	Chemical National Bank.
N. Y....	Waterville....	Charles Green & Sons.....	Mercantile National Bank.
OHIO ...	Bellevue .....	First National Bank .....	.....
	\$ 35,000	J. T. Worthington, <i>Pr.</i>	Edwin H. Brown, <i>Cas.</i>
PENN... Pennsburg.....	Perkiomen National Bank..	.....	(None.)
	\$ 100,000	Michael Alderfer, <i>Pr.</i>	John N. Jacobs, <i>Cas.</i>
" ... York .....	Western National Bank....	.....	First National Bank.
	\$ 100,000	Jacob H. Baer, <i>Pr.</i>	Martin J. Skinner, <i>Cas.</i>
" ... Mercersburgh.	Farmers' Bank .....	.....	Union Banking Co., Phila.
" ... Osceola Mills.	Citizens' Banking Company	.....	Bk. Northern Liberties, Phila.
VT.....	Brattleboro'...	People's National Bank....	.....
	\$ 50,000	Parley Starr, <i>Pr.</i>	William A. Faulkner, <i>Cas.</i>
Wis ...	Neillsville....	Clark County Bank.....	.....

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS,

Authorized September 23 to October 20, 1875.

<i>No.</i>	<i>Name and Place.</i>	<i>President and Cashier.</i>	<i>Capital.</i>	
			<i>Authorized.</i>	<i>Paid.</i>
2300	First National Bank, Trinidad, COL.	Frederick D. Wight..... George R. Swallow.	\$ 50,000	\$ 50,000
2301	Perkiomen National Bank. Pennsburg, PA.	Michael Alderfer..... John N. Jacobs.	100,000	100,000
2302	First National Bank, Bellevue, OHIO.	J. T. Worthington..... Edwin H. Brown.	50,000	35,000
2303	Western National Bank, York, PA.	Jacob H. Baer..... Martin J. Skinner.	100,000	100,000
	Merchandise National Bank, Boston, MASS.	Israel G. Whitney..... Edward O. Rockwood.	500,000	250,000
2305	People's National Bank, Brattleboro', VT.	Parley Starr..... William A. Faulkner.	100,000	50,000

## CHANGES OF PRESIDENT AND CASHIER.

(Monthly List; continued from October No., page 322.)

## OCTOBER, 1875.

	<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
CAL...	Petaluma Savings Bk., Petaluma.	Wm. B. Haskell, <i>Cas.</i>	O. V. Walker.
COL...	First Nat. Bk., Colorado Springs.	James Knox, <i>Cas.</i>	W. B. Young.
GA....	Georgia National Bank, Atlanta.	Edward L. Jones, <i>Pr.</i>	I. A. Lapham.*
".....	" " " "	Ossian L. Simpson, <i>Cas.</i>	E. L. Jones.
ILL...	Farmers' Nat. Bank, Princeton.	W. W. Ferris, <i>Cas.</i>	A. M. Swengle.
IOWA..	First National Bank, Iowa City.	Wm. M. Anderson, <i>Cas.</i>	L. M. Sedgwick.
KAN...	Marion Bank, Florence.	R. T. Battey, <i>Cas.</i>	O. T. Niles.
"...	Neosho Co. Sav. B., Osage Miss.	C. W. Mitchell, <i>Pr.</i>	J. V. Pierce.
".....	" " " "	Charles Coffin, <i>Sec.</i>	M. Cross, <i>Cas.</i>
MD....	People's Bank, Baltimore.	E. A. Clabaugh, <i>Pr.</i>	J. H. Taylor.
"....	Central National Bank, Frederick	P. M. Engelbrecht, <i>Cas.</i>	P. L. Storm.*
MASS..	Boylston National Bank, Boston.	D. S. Waterman, <i>Cas.</i>	J. J. Soren.
MINN..	First National Bank, Stillwater.	Louis Hospes, <i>Pr.</i>	C. Scheffer.*
"..	" " " "	F. Siebold, <i>Cas.</i>	C. N. Nelson.
"..	Northwestern N. B., Minneapolis	H. S. Welles, <i>Pr.</i>	D. Morrison.
MO....	German Savings Inst., St. Louis.	T. W. Meister, <i>Pr.</i>	R. Barth.
MONT..	First National Bank, Bozeman.	George W. Fox, <i>Pr.</i>	L. M. Black.
"..	" " " "	James G. Dow, <i>Cas.</i>	G. W. Fox.
N. H...	National Bank of Lebanon.	E. A. Kendrick, <i>Cas.</i>	J. H. Kendrick.
N. Y...	Goshen National Bank, Goshen.	William T. Russell, <i>Pr.</i>	W. Murray.
OHIO..	Ross Co. Nat. Bank, Chillicothe.	John Tomlinson, <i>Cas.</i>	B. P. Kingsbury.
"..	Marietta Nat. Bank, Marietta.	Asa B. Waters, <i>Cas.</i>	D. G. Matthews.
PENN..	Anchor Savings Bank, Pittsburgh	Robert J. Stoney, <i>Cas.</i>	J. H. Scott.
"..	Mechanics' Nat. Bank, " "	W. R. Thompson, <i>Cas.</i>	J. G. Martin.*
"..	First National Bank, Oil City.	James A. Waugh, <i>Cas.</i>	H. M. Choate.
CANA..	Union B. of L. Canada, Ottawa.	J. G. Leitch, <i>Mgr.</i>	D. S. Eastwood.
".....	" " " " Three Rivers	C. A. Boxer, <i>Agt.</i>	J. V. Woolsey.

\* Deceased.

## THE PREMIUM ON GOLD AT NEW YORK,

## SEPTEMBER—OCTOBER, 1875.

1874.	<i>Lowest.</i>	<i>Highest.</i>	1875.	<i>Lowest.</i>	<i>Highest.</i>	1875.	<i>Lowest.</i>	<i>Highest.</i>
September	9¾	10¾	Sept. 25	16½	16¾	Oct. 9	16¾	16¾
October	9¾	10¾	" 27	16½	16¾	" 11	16½	16¾
Nov.	10	12¾	" 28	16¾	17	" 12	16	16½
Dec.	11½	12¾	" 29	16¾	17¾	" 13	15½	16¾
1875.			" 30	17	17½	" 14	16¾	16¾
January	11¾	13¾				" 15	16½	17
February	13¾	15¾	Oct. 1	16¾	17	" 16	16¾	17
March	14½	17	" 2	16¾	17¾			
April	14	15½				" 18	16¾	16¾
May	15	16¾	" 4	17	17¾	" 19	16½	16¾
June	16¾	17¾	" 5	17½	17¾	" 20	16¾	16¾
July	11¾	17¾	" 6	16¾	17¾	" 21	15¾	16¾
August	12¾	14¾	" 7	16¾	17¾	" 22	15½	16¾
September	13¾	17¾	" 8	16¾	17¾	" 23	14¾	15¾

## DISSOLVED, DISCONTINUED, OR CHANGED.

*(Monthly List, continued from October No., page 322.)*

- COL..... Boyles & Lynch, *Trinidad*; closed.  
 " ..... Swallow & Terry, *Trinidad*; succeeded by First National Bank.  
 GA..... Wright & Stegall, *Thomasville*; succeeded by A. P. Wright & Co.  
 ILL..... Fourth National Bank, *Chicago*; suspended.  
 " ..... Citizens' Bank, *Chicago*; suspended.  
 IND..... Bank of the State of Indiana, *Lafayette*; succeeded by Hall, Weaver & Co.  
 IOWA... Union Savings Bank, *Cedar Rapids*; now Union Bank.  
 " ... Bank of Greene, *Greene*; failed.  
 " ... People's Bank, *Dubuque*; merged in Commercial National Bank.  
 " ... Taylor County Bank, *Bedford*; succeeded by First National Bank.  
 KY..... Planters' National Bank, *Louisville*; suspended.  
 LA..... Hart & Hebert, *Baton Rouge*; suspended.  
 MICH... Conger Brothers, *Benton Harbor*; succeeded by F. D. Conger.  
 " ... Hubbardston Exchange Bank, *Hubbardston*; changed to Banking House of N. B. Hayes & Co.  
 MINN... Howes Brothers, *Hastings*; succeeded by Farmers and Traders' Bank.  
 NEB ... Griggs & Webb, *Beatrice*; succeeded by Hiram P. Webb.  
 N. Y.... Stoddard & Babcock, *Naples*; succeeded by E. P. Babcock.  
 OHIO... Evans & Co., *Cincinnati*; succeeded by Hughes, Wright & Co.  
 PENN... Western Sav. Bk., *Pittsburgh*; now Western Bk. of Thompson, Bell & Co.  
 TEXAS.. Chambers & Dodge, *Gainesville*; succeeded by C. Chambers & Co.  
 " ... Erastus Jones, *Jefferson*; closing business.  
 WIS..... Telling, Wood & Co., *Neillsville*; dissolved.  
 WYO.... Posey S. Wilson, *Cheyenne*; failed.  
 CANADA Mechanics' Bank, *Montreal*; suspended.

---

OUR RAILROAD STOCKS AND BONDS ABROAD.—The report of the United States Consul at Rotterdam (Netherlands) to the State Department, contains the following: "Concerning the transactions in United States railroad shares which, before the catastrophe in the United States, had been so important an element in the Dutch money market, I have but to repeat the statement of my preceding annual report. Far from showing any sign of returning confidence in United States railroad shares, the Dutch public rather manifests increasing aversion. The sale of United States railroad securities, even at the lowest rates, is limited to the smallest minimum. The laws recently enacted in Wisconsin concerning railroads have just affected those securities, in which the Dutch capitalists had invested enormous sums, namely, the Chicago and North-Western, and the Milwaukee and St. Paul Railroads. As yet the holders of these bonds still believe that the hope created and entertained by the Directors of these railroads will be realized, and that those laws will be annulled by the Supreme Court. Should this not be the case, a new depreciation of these securities, as well as of all other American railroad bonds, may be expected. For years to come, no investment of Dutch capital in United States railroad enterprises will be made. Financiers who, in this country, have been dealing in United States railroad securities, agree in declaring that a revival of confidence in American railroad enterprises can only be expected when a radical change of the present legislation on railroad companies takes place in the different States. As the best means of restoring confidence, they indicate a strict control of the creation and payment of the capital of companies; the obligatory regular (at least monthly) publication of the receipts and expenditures of the railroads; the limitation of the arbitrary power of the presidents of the companies; and a greater influence on the part of holders of really paid bonds."

## NOTES ON THE MONEY MARKET.

NEW YORK, OCTOBER 23, 1875.

*Exchange on London at sixty days' sight, 4'78½ a 4'79, in gold.*

Three things chiefly attract attention in Wall street: the decline of gold, the improvement in stocks, and the hardening rates of money. The advance in gold last month was due in part to the agitation about inflation. This agitation received a severe blow by the result of the Ohio election, and the natural consequence has been that the price of gold has receded. The announcement of the prepayment of the gold interest to-day has aided this declining tendency, and gold has fallen accordingly. The price during the week has receded from 117 on Monday to 114½ to-day. On gold loans the terms are easier, and range from 3-64 a day to 3 per cent. per annum, and flat. But for the uncertainty about the demand for gold in Germany the premium here would probably recede more rapidly and more permanently than seems likely at present. What will be the extent of that demand is uncertain. The German Government have given the requisite notice of the demonetization of silver on January 1st, 1876. This will precipitate an active demand for gold to replace the demonetized silver coin, preparations for which are in progress. What amount of gold will be needed for that purpose, and how far the vacuum in the currency will be supplied by the new Government notes, we cannot say. The banks are not allowed to issue any small notes. The Government notes have a monopoly of this part of the circulation. The smallest bank-notes are for 100 marks, or 25 dollars. In view of these contingencies in the German money market the future movements of our gold premium are enveloped in much incertitude. Foreign exchange is dull and lower, with a tendency to harden at the close.

In the Stock market there has been a general disposition to greater activity. The demand for railroad bonds is moderate, and for railroad shares liberal for investment. Governments have been active, but closed quiet in consequence of the fall in gold. Our quotations are as follows:

QUOTATIONS:	Sept. 28.	Oct. 2.	Oct. 9.	Oct. 16.	Oct. 23.
Gold.....	116½ ..	117¼ ..	116½ ..	116½ ..	114½
U. S. 5-20s, 1867 Coup.	120½ ..	121 ..	120¼ ..	120½ ..	119¾
U. S. new Fives Coup.	118 ..	118¾ ..	117¾ ..	117½ ..	116½
West. Union Tel. Co..	76 ..	76½ ..	74½ ..	74¾ ..	77
N. Y. C. & Hudson R.	102 ..	103 ..	102 ..	102½ ..	104½
Lake Shore.....	53¾ ..	54 ..	52½ ..	54¾ ..	59¾
Chicago & Rock Island	107¾ ..	108 ..	102¼ ..	103¾ ..	104
New Jersey Central...	111½ ..	111¼ ..	103 ..	104 ..	105¾
Erie.....	17 ..	16¾ ..	16½ ..	15¾ ..	17¾
Union Pacific.....	70 ..	65¾ ..	63¼ ..	66½ ..	68
Bills on London.....	4.79a4.80	4.80a4.80½ ..	4.78½a4.79½ ..	4.77½a4.78½ ..	4.79½a4.80
Treasury balances, cur.	\$57,830,869 ..	\$57,302,432 ..	\$55,280,170 ..	\$54,273,071 ..	\$53,977,928
Do. do. gold	35,186,051 ..	35,830,992 ..	37,898,419 ..	40,144,275 ..	39,684,936
Call loans. ....	2a2½ ..	2a3 ..	3a4 ..	2½a3 ..	2½a3
Discounts.....	6a7 ..	5¼a7 ..	6a7 ..	5¼a7 ..	6a7

The Money market shows an advance in rates. Call loans are at 3 to 4 per cent., and commercial paper has free currency at 6 a 7 per cent. for prime names at three to four months. The weekly statements of the Clearing-House show a

lively movement of currency and capital to the interior. The draw to the West is less active, but shipments of currency to the South are still going on. The New York bank statements compare as follows:

1875.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Exchanges.
Sept. 27....	\$281,616,200 ..	\$7,269,200 ..	\$67,321,900 ..	\$17,934,300 ..	\$239,439,400 ..	\$405,863,314
Oct. 4....	278,811,300 ..	6,448,900 ..	66,490,600 ..	17,925,800 ..	234,403,600 ..	385,154,909
" 11....	282,173,600 ..	6,701,500 ..	60,356,800 ..	17,852,400 ..	230,156,100 ..	403,246,651
" 18....	284,529,700 ..	6,389,200 ..	56,495,400 ..	17,812,800 ..	228,698,800 ..	415,965,825
" 23....	280,584,700 ..	6,406,600 ..	54,762,900 ..	17,806,200 ..	223,471,700 ..	423,741,719

The Boston Clearing-House statements compare as follows:

1875.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.
Sept. 27.....	\$134,701,600 ...	\$388,200 ...	\$9,897,900 ..	\$24,997,700 ...	\$77,044,300
Oct. 4.....	135,154,500 ...	371,100 ...	10,255,100 ...	25,218,900 ...	78,842,900
" 11.....	135,558,200 ...	386,700 ...	9,975,200 ...	25,139,300 ...	80,944,000
" 18.....	136,280,400 ...	394,700 ...	9,956,900 ...	25,300,600 ...	81,743,200

The Philadelphia statements are as follows:

1875.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Sept. 27.....	\$62,130,558 ...	\$148,940 ..	\$14,020,819 ..	\$49,231,071 ..	\$11,122,443
Oct. 4.....	61,411,578 ...	140,749 ...	14,878,329 ...	50,576,441 ..	11,097,055
" 11.....	62,125,026 ...	119,011 ..	15,002,695 ..	49,723,169 ...	11,169,766
" 18.....	62,219,120 ...	126,389 ..	14,403,597 ...	49,580,858 ...	11,173,258

The public debt shows a reduction of \$3,342,562.61 for the month ending October 1. The greenback aggregate is \$373,941,124, showing for the month a decrease of \$304,584.

The total outstanding circulation of the National Banks, with the amount of bonds deposited in Washington, compare as follows:

Week ending	Notes in circulation.	Bonds for circulation.	Bonds for U. S. deposits.	Total bonds.	Coin in Treasury.	Coin Certificates.
May 15....	\$350,459,189 ..	\$379,198,900 ..	\$16,017,200 ..	\$395,216,100 ..	\$92,205,130 ..	\$20,848,600
May 22....	350,012,329 ..	379,186,900 ..	15,967,200 ..	395,154,100 ..	92,551,522 ..	20,119,800
June 5....	350,780,279 ..	378,938,900 ..	15,917,200 ..	394,856,100 ..	83,927,204 ..	19,777,200
June 12....	349,257,859 ..	378,176,400 ..	15,942,200 ..	394,118,600 ..	83,608,659 ..	19,248,300
June 19....	348,994,474 ..	376,860,400 ..	15,892,200 ..	392,752,600 ..	77,016,446 ..	19,803,100
June 26....	349,462,839 ..	376,585,600 ..	15,817,200 ..	392,402,800 ..	69,945,673 ..	18,489,700
July 3....	349,285,309 ..	375,735,000 ..	15,792,200 ..	391,527,200 ..	68,860,027 ..	23,309,400
July 10....	349,735,164 ..	375,333,000 ..	15,792,200 ..	391,125,200 ..	69,608,526 ..	23,673,800
July 17....	351,613,724 ..	375,197,362 ..	15,792,200 ..	390,989,562 ..	68,860,027 ..	23,309,400
July 24....	350,764,469 ..	374,753,362 ..	18,792,200 ..	393,545,562 ..	66,926,937 ..	22,628,300
July 31....	349,835,249 ..	374,894,362 ..	18,792,200 ..	393,686,562 ..	66,926,937 ..	22,628,300
Aug. 7....	348,937,939 ..	374,927,862 ..	18,792,200 ..	393,720,062 ..	71,953,412 ..	22,657,200
Aug. 14....	349,205,093 ..	374,917,762 ..	18,792,200 ..	393,709,962 ..	70,716,887 ..	19,740,700
Aug. 21....	349,130,000 ..	374,788,762 ..	18,792,200 ..	393,580,962 ..	70,738,807 ..	18,561,000
Aug. 28....	348,725,018 ..	374,531,762 ..	18,792,200 ..	393,323,962 ..	70,223,690 ..	17,510,400
Sept. 4....	348,011,138 ..	373,812,762 ..	18,792,200 ..	392,604,962 ..	66,730,316 ..	16,389,400
Sept. 11....	347,980,000 ..	373,382,762 ..	18,792,200 ..	392,174,962 ..	65,927,109 ..	12,722,400
Sept. 18....	347,578,483 ..	373,077,762 ..	18,792,200 ..	391,869,962 ..	66,924,152 ..	12,435,000
Sept. 25....	347,720,223 ..	372,150,762 ..	18,792,200 ..	390,942,962 ..	66,924,152 ..	12,435,000

The Comptroller of the Currency a few weeks ago issued a circular requesting returns from all National Banks of the amount of taxes paid by them during the years 1874 and 1875. These returns are not yet completed for any State, and such banks as have not reported are urgently requested to do so. A compilation has, however, been made from such returns as have been received from the State of Ohio, which composes three-fourths of the banks of the State, from which it appears

that the ratio of State taxation upon capital in the city of Cincinnati is 2.52 per cent., and in Cleveland 2.19, and from all the banks in the State, including those cities, 2.32. The amount of United States taxes for the same period was 1.62 per cent., making a total of State and National taxes of 3.94 per cent. It is estimated that the total average taxation of the National Banks of Ohio is about four per cent. Similar returns were made by the banks of Ohio in 1867 and 1869. The rate of State taxation in 1867 was 2.32 per cent., and United States taxation 2.29, in all 4.61. In 1869 the rate of State taxation was 2.50 per cent., and the United States taxation 2.87, per cent., in all 5.37 per cent. for that year.

The Illinois Railroad Company report that the grant of land to the Company was 2,595,000 acres, of which 299,565 acres remained unsold on the 1st of January, 1875. The net amount received by the Company from the sales of these lands is about \$26,281,000, including the interest on deferred payments. The State of Illinois has received, on account of the gross earnings of the road and the sale of land, an annual average of \$400,000 for the last seven years. This is given as seven per cent. of the gross earnings and land sales, and the total receipts by the State from this source are \$5,244,835.88.

Railroad iron is popularly supposed to be produced chiefly in the Eastern States. The *American Railroad Gazette* shows that this is an error, and gives the following table of the percentage of production in various States :

	1871.	1872.	1873.	1874.
Pennsylvania.....	43.2	41.9	36.9	35.5
Illinois.....	11.7	10.7	15.4	17.2
Ohio.....	9.8	12.2	6.7	11.3
Maryland.....	5.8	2.6	4.4	6.6
New York.....	11.2	8.2	4.7	6.4
Wisconsin.....	3.7	3.7	3.8	4.1
Massachusetts.....	3.7	2.9	3.0	3.4
Missouri.....	1.1	1.6	1.6	3.3
Indiana.....	1.6	2.4	1.9	2.8
Maine.....	1.7	1.4	1.6	2.0
Tennessee.....	1.2	1.5	1.5	1.9
Vermont.....	..	..	0.7	1.4
Georgia.....	1.0	0.7	0.9	1.1
Kentucky.....	0.8	0.4	1.3	0.8
New Jersey.....	0.8	0.9	1.5	0.5
Michigan.....	1.8	1.0	0.5	0.3

Here Pennsylvania is seen to have begun in 1871 with three-sevenths of the total production, and to have produced a smaller and smaller proportion yearly. The proportion of New York has also decreased. The chief increases in proportions have been in Illinois, Ohio, Maryland, Wisconsin, Missouri and Indiana. In Pennsylvania and Maryland, and further east, 66.6 per cent. of the whole was produced in 1871, but only 55.8 per cent. in 1874. In the States west of Pennsylvania and north of the Ohio the production was 29.7 per cent. of the total in 1871 and 40.2 per cent. in 1874. This shows a decided westward movement of the rail-rolling industry. This is natural, in view of the fact that a large part of the rolling is re-rolling, for which the material comes from the railroads themselves; and fuel must be very costly and labor very high where it will pay to ship old rails eastward a thousand miles or so to a rolling-mill, and then ship them back to the railroad. But if we take the new rails only, the West still shows a large proportion of the production. In 1874 it produced 38.3 per cent of the new rails, and the Eastern States grouped together about 60.2 per cent. The figures for new and re-rolled rails are not given separately for the previous years, but it appears that the production of new rails has increased faster in the West than the production of re-rolled rails. Rails are carried from the East to the West at very low rates,

because of the great numbers of cars going empty in that direction. But even at half a cent per ton per mile, the charges for a thousand miles amount to \$5, which gives a very considerable advantage to the Western mills in supplying the Western demand.

The Austrian statistician, Brachelli, reckons the total production of minerals in all the countries of Europe for 1874 to have been as follows: Platinum, 1,025 kilograms; gold, 6,900 kilograms; silver, 300,000 kilograms; pig iron, 240,000,000 cwt.; copper, 600,000 cwt.; lead, 5,300,000 cwt.; zinc, 2.7 to 3,000,000 cwt.; tin, 205,000 cwt.; coal, 4,376,000,000 cwt.; salt, 95 to 100,000,000 cwt.; manganese, 1,616,000 cwt.; antimony, 5,700 cwt.

The increase of wealth of Great Britain, between 1814 and 1873, is reported in a recent Parliamentary paper as follows: In 1814 the gross annual income from real estate, mines, quarries, canals and gas-works, was about \$300,000,000. In 1844, after the establishment of the railway era, and railway earnings were included, the income from real estate had grown to \$476,000,000; in 1864 to \$807,000,000, and in 1873 it was \$1,065,000,000. A corresponding increase has, of course, taken place in the incomes from trades and professions, which have grown from \$185,000,000 in 1814 to \$976,000,000 in 1873. These estimates are founded on the English income tax returns. It appears that the 32 millions of the British people have an annual income of \$2,041,000,000, which gives an average income of \$63.78 a year to each person, and of \$318.90 to each family of five persons. The average income of the people of France and Germany is estimated at a still lower sum. Probably there is no country in modern times whose average income per capita comes up to that of the United States. How far this advantage is neutralized by the diminished purchasing power of paper money is a question well deserving further investigation. Subjoined is a table from this Parliamentary Report:

GROSS ANNUAL VALUE OF PROPERTY IN GREAT BRITAIN.					
Year.	England and Wales.	Scotland.	Ireland.	United Kingdom.	
1814.....	£ 53,495,375	£ 6,642,955	.....	£ 60,138,330	(Great Britain.)
1844.....	86,573,636	8,726,612	.....	95,300,248	(Great Britain.)
1854.....	100,835,328	12,144,437	£ 11,892,120	124,871,885	
1864.....	131,341,499	16,254,230	13,801,616	161,397,345	
1873.....	175,208,086	23,067,631	14,647,134	212,922,851	
GROSS ANNUAL INCOME IN GREAT BRITAIN.					
1814.....	34,287,685	2,771,304	.....	37,058,989	
1844.....	55,505,733	9,589,458	.....	65,095,191	
1854.....	74,610,127	11,889,864	4,780,140	91,280,131	
1864.....	106,898,319	11,901,284	5,275,947	124,075,550	
1873.....	170,685,311	18,437,490	8,114,538	197,237,339	

## DEATHS.

At NEW YORK, on Thursday, October 7th, aged seventy-two years, BENJAMIN F. WHEELWRIGHT, President of the Greenwich Bank and of the Greenwich Savings Bank.

At PITTSBURGH, on Thursday, October 7th, aged seventy years, JOHN G. MARTIN, Cashier of the Mechanics' National Bank.

THE  
**BANKER'S MAGAZINE,**  
AND  
**Statistical Register.**

---

VOLUME X, }  
THIRD SERIES. }

DECEMBER, 1875.

No. 6.

---

THE REPORTS OF THE TREASURY.

The Treasury reports are looked for this year with more interest than such documents of late years have usually called forth. After the close of the war, the financial policy of the Government gradually ceased to command the public attention or to influence the National credit, as much as during the pressure of our war finance. Since the time when Mr. McCulloch funded the seven-thirties, and negotiated in one year over a thousand millions of securities, to absorb demand loans, Treasury notes, and other temporary war debts, there has been less disposition on the part of Congress to follow with much care the recommendations and suggestions of the Secretary of the Treasury. The great questions of reforming the currency, refunding the debt, and lightening the burden of taxation, have too often been dealt with by the National Legislature in such a manner that the annual reports have offered but little help to our bankers and merchants in forecasting, at the beginning of a session of Congress, the probable course of legislation to be adopted, or the financial and fiscal principles which would control it. For some reason, a different anticipation appears to prevail at present, and the belief is, that Mr. Bristow's second annual Report, which, in a few days, is to be laid before Congress, will be such as to enable the country to foresee, with some approach to truth, the Congressional legislation by which the monetary and fiscal wants of the country will be met during the coming winter.

As that Report will be in the hands of our readers almost as soon as the present number of this magazine, we will do no more than point out some of the chief questions on which Mr. Bristow is expected to throw light. Of these, one of the most important is that of increased taxation. The published statements of the receipts and expenditures of the Treasury show that, in



the financial service of the Government, we must either provide for a larger revenue or for a diminished annual outlay. One of these alternatives is absolutely necessary. To make both ends meet, Congress must either spend less, and enforce a rigid economy in its appropriations, or else the country must be burdened with new taxes. The latter contingency would be very unpopular. But what we have to say on this subject must be deferred until the whole of the Treasury statements are before us, and until the fiscal situation is officially made known.

Next in importance to the burdens of new taxation is the resumption of specie payments. Mr. Bristow, in his last year's report, offered some judicious suggestions which Congress in part accepted as the basis of the monetary legislation of last session. It remains to be proved whether he will be equally successful in impressing his views upon Congress hereafter. The general desire of the country, so far as we have been able to gather it from various sources, is to avoid rash experiments. The public equally distrust the over-eager advocates of a too hasty return to specie payments on the one side, and the fanatical worshippers of paper money on the other.

The requirements of public opinion will be best met by a policy which secures the following results: First, we must hold fast all that has been achieved of progress towards specie payments; and, secondly, we must do nothing of a retrograde character. Hence, when attempts are made under any pretense to expand the volume of the currency we must resist them, and take care not to lose anything we have gained in this respect. The existing laws have limited the volume of the currency, and those limits must be on no account enlarged. There is every indication that the inflationists will be very active in Congress during this session; and that, while some of the extremists among the advocates of hard money are agitating impracticable projects of resumption, the inflationists will try, as they have so often tried before, to avail themselves of the advantage which their antagonists may unwittingly put within their reach. It is even said that certain inflationists are in favor of bringing in some extravagant measure pretending to favor the repeal of the Legal-Tender Law, not with a view of passing this new measure, but that they may get control of it, and then, by some subtle maneuver, get a law enacted that will tend towards inflation, while seeming to be intended to work in the opposite course.

It has been suggested that the best that Congress can do for promoting specie payments is to refuse to legislate about the currency at all, during the coming session;—that the work which devolves on Congress is to strengthen the coin balance in the Treasury;—that when this is done there is scarcely anything thing else within the bounds of legislation, and that to attempt more would almost certainly result in mischief. We are not quite prepared to go as far as this. But there is no doubt that most of the past mistakes in managing the currency system have arisen

from our failure to recognize the true limits of legislation, and to distinguish between what it can do and what it cannot do. One of the things which Congress cannot do is to force down the premium on gold. No direct legislation can do this. The premium may, indeed, be reduced by favoring the contraction of the currency when circumstances are favorable. But financial science knows no other legitimate way by which legislation can bring down the premium on gold. All parties agree that this method of reducing the gold premium cannot be resorted to during the coming session. No further contraction by Act of Congress is at present contemplated. The existing resumption laws should have a fair trial before any further legislation is adopted. What is there, then, that Congress can and ought to do? Nothing but this. They should so increase the coin balance in the Government vaults, that when the premium on gold has disappeared, the Treasury may be ready to pay its greenback notes dollar for dollar in gold. And how shall this be accomplished? There is no other expedient but the accumulating of gold in the Treasury vaults beforehand. This is the present legitimate work of Congress, and it will be found sufficient to occupy all the time available for fiscal and financial debate. How much of the Treasury balance ought to be in silver coin is a question which we cannot here discuss for want of space. Some very shallow and crude notions on this matter seem to be afloat in the public mind.

We must not omit to notice the funding of the debt. Mr. Bristow has just closed the negotiation of all the five per cents authorized in the funding laws of January, 1871, and of July, 1870. The amount is 500 millions, and has produced net to the Treasury  $99\frac{3}{4}$  in gold, which is a lower price than any five per cent. bonds will be likely to be sold for hereafter in the market. Some persons are of opinion that the syndicate ought to have paid at least 2 per cent. more for the bonds negotiated during the past year. This view of the funding operations of the Treasury is likely to come up in a new shape during the coming session. The proposition has been made to negotiate 1,000 millions of 4 per cents. in exchange for the outstanding five-twenties, and to issue no funding bonds at a higher rate of interest than four per cent. Another proposition is for Mr. Bristow to sell to the syndicate at par, 300 millions of four and a-half per cents. A third suggestion is to stop the selling of bonds, and all other refunding operations, until after the resumption of specie payments. In presence of these conflicting plans there is some danger that the old policy which the funding acts were intended to realize, will be lost sight of. This policy, as expounded by Mr. Boutwell in 1870, comprised two chief objects: first, to lessen the pressure of the debt by lowering the rate of interest, and secondly, to consolidate the various kinds of securities into one uniform bond, like the English consols and the French rentes. It is hoped that in the debates on the funding of the debt, Congress will take care that both these principles shall have due respect.

## IMPROVEMENTS IN THE LAW OF USURY.

BY DR. GEORGE MARSLAND.

A distinguished French economist, M. Leon Faucher, has affirmed that one of the active causes of the material growth of the United States has been its enlightened policy in regard to usury. It were to be wished that the usury legislation of the several States merited the encomium; but we trust that a new era is beginning in which M. Faucher's statement will be realized. The decision of the Supreme Court, which will be found on page 466, is the most important usury decision ever given by any tribunal in the United States. Among its numerous good results a conspicuous place will be given to the fact that it will introduce a principle of harmony into the discordant and conflicting legislation of the various States on the subject of usury. Hence this part of our jurisprudence will in two ways undergo a rapid reform. First, some of the bad features of the existing legislation will be immediately corrected, and secondly, the agitation which in some States is being stirred up by mischievous and ignorant demagogues in favor of more stringent usury penalties, will receive a wholesome check.

To illustrate these aspects of the decision, it is sufficient to recapitulate very briefly its main points. A year ago the Farmers & Mechanics' National Bank of Buffalo discounted a note made by Peter C. Dearing, the defendant. Ten per cent. was charged by the bank instead of 7 per cent., the legal rate. Dearing refused to pay the note at maturity, alleging that the bank could not legally claim payment because under the New York usury law of 18th April, 1838, the whole debt was forfeited. The note was for \$2,000, payable one month after date, maturing 5th October, 1874. The sum which Dearing had received from the bank was \$1,981.67, the discount taken in advance being \$18.33; which is five and a-half dollars more than would have been taken if the bank had been content with the legal interest of 7 per cent. In other words, the bank by charging \$5.50 more than the legal interest was threatened with the loss of nearly \$2,000, besides other penalties to which we will presently refer.

Such was the defense on the part of Dearing. He acknowledged that he had borrowed the money from the bank, but denied that the bank could legally recover it, or claim repayment. This case brings out very sharply and clearly the question whether a National Bank is amenable to the usury laws of the State, which are harsh and severe, or to the more gentle usury laws of the United States as laid down in the National Banking Act.

This point has been decided in the case before us. The Supreme Court of the United States declares that Dearing can not

shelter himself behind the State law of usury so as to escape the repayment of the money which he borrowed from the bank. He is to refund the whole sum which the bank paid him. Hence the bank, as a penalty of usury, has incurred no loss except that of the interest which it took in advance upon the note. Whether the bank ought to receive interest from Dearing on the sum lent to him is a question which unfortunately the Court did not decide. So far as it goes, however, the ruling of the Court is perfectly clear and positive. It establishes the principle that no State laws against usury can have the least influence in controlling a National Bank. Our 2,000 National Banks are thus released from the conflicting and uncertain penalties of the usury laws of the various States, and for these institutions there is but one uniform law of usury throughout the country. The thirtieth section of the National Banking Law authorizes the National Banks to take interest on notes discounted at the rates allowed by the laws of the State or Territory in which they are situated; and if no rate is thus fixed, then they are allowed to charge seven per cent. The penalty for taking a higher rate of interest is expressed in the following terms: "And the knowingly taking, receiving, reserving, or charging a rate of interest greater than aforesaid, shall be held and adjudged a forfeiture of the entire interest which the note, bill, or other evidence of debt, carries with it or which has been agreed to be paid thereon."

This is now the paramount law of the country in regard to usury, and by its extension to all the National Banks we have made a fundamental change in our usury legislation, and have introduced a harmonizing principle which, by the irresistible operation of great natural laws, will bring about by degrees new and still more complete improvements. How much remains to be done in the work of usury reform may be seen from the subjoined table which gives a comparative view of the usury laws of the several States:

USURY LAWS OF THE VARIOUS STATES, WITH THE LEGAL RATES OF INTEREST.

State.	Rate per cent.—		Penalty of Usury.
	Legal.	Special.	
1 Alabama.....	8	—	Forfeiture of all interest and costs.
2 Arizona.....	10	<i>d</i>	None.
3 Arkansas.....	6	<i>d</i>	None.
4 California.....	10	<i>d</i>	None.
5 Colorado.....	10	<i>d</i>	None.
6 Connecticut.....	7	<i>d</i>	Forfeiture of all interest.
7 Dakota.....	7	18	Forfeiture of contract.
8 Delaware.....	6	6	Forfeiture of contract.
9 Dist. of Columbia...	6	10	Forfeiture of all interest.
10 Florida.....	8	<i>d</i>	None.
11 Georgia.....	7	12	Forfeiture of excess of interest.
12 Idaho ( <i>a</i> ).....	10	24	\$300, or imprisonment six months, or both.
13 Illinois.....	6	10	Forfeiture of all interest.
14 Indiana.....	6	10	Forfeiture of all interest and costs.
15 Iowa.....	6	10	Forfeiture of excess of interest.
16 Kansas.....	7	12	Forfeiture of excess over 12 per cent.
17 Kentucky.....	6	10	Forfeiture of all interest.
18 Louisiana.....	5	8	Forfeiture of all interest.
19 Maine.....	6	<i>d</i>	None.

State.	Rate per cent.		Penalty of Usury.
	Legal.	Special.	
20 Maryland.....	6	6	Forfeiture of excess of interest.
21 Massachusetts.....	6	d	None. (Six per cent. on judgments.)
22 Michigan.....	7	10	Forfeiture of excess of interest.
23 Minnesota.....	7	12	Forfeiture of excess over 7 per cent.
24 Mississippi.....	6	d	None.
25 Missouri.....	6	10	Forfeiture of all interest.
26 Montana.....	10	—	None.
27 Nebraska.....	10	12	Forfeiture of all interest, and costs.
28 Nevada.....	10	d	None.
29 New Hampshire.....	6	6	Forfeiture of three times the interest received.
30 New Jersey.....	7	7	Forfeiture of all interest.
31 New Mexico.....	6	12	None. [months' imprisonment.
32 New York State (a).....	7	7	Forfeiture of principal, fine of \$1,000, six
33 North Carolina.....	6	8	Forfeiture of all interest.
34 Ohio.....	6	8	Forfeiture of excess of interest.
35 Oregon.....	10	12	Forfeiture of principal, interest and costs.
36 Pennsylvania.....	6	6	Forfeiture of excess of interest.
37 Rhode Island (b).....	6	d	Forfeiture of interest, unless a greater rate is
38 South Carolina.....	7	d	None. [contracted.
39 Tennessee.....	6	10	Forfeiture of excess over 6 per cent., and
40 Texas.....	8	d	None. [\$100 fine.
41 Utah.....	10	d	None.
42 Vermont.....	6	c	Forfeiture of excess of interest.
43 Virginia.....	6	12	Forfeiture of contract, penalty of twice the
44 Washington Terr.....	10	d	None. [principal.
45 West Virginia.....	6	d	Forfeiture of excess of interest.
46 Wisconsin.....	7	10	Forfeiture of all interest.
47 Wyoming.....	10	d	None.

a. Usurers liable to arrest for misdemeanor.

c. On railroad bonds only.

b. Rate on judgments unless otherwise expressed.

d. No special rates prescribed.

It will be seen that in five States of the Union the principal of a usurious loan is forfeited as a penalty for charging more than the legal rate of interest. In all these States and Territories the new ruling of the United States Supreme Court will introduce a privilege of exemption in favor of the National Banks. These institutions will thus be put in a better position before the law than their rivals in the loan market,—the private lenders of money. Of course this inequality will lead to State legislation; and the attempt will be made to put the other lenders of money in possession of the same privileges. This has already been done in the State of New York. A law was passed 9th April, 1870, to place the State banks "on an equality with the National Banks" in regard to the penalties of usury. This law may be found in the New York Statutes of 1870, chapter 163, which enacts as follows:

SEC. 1. Every banking association organized and doing business under and by virtue of the act entitled "An Act to authorize the business of Banking," passed April 18, 1838, and the various acts supplementary thereto, and amendatory thereof, is hereby authorized to take, receive, reserve and charge on every loan or discount made, or upon any note, bill of exchange or other evidences of debt, interest at the rate of seven per cent. per annum, and such interest may be taken in advance, reckoning the days for which the note, bill, or other evidence of debt has to run. The knowingly taking, receiving, reserving or charging a rate of interest greater than aforesaid, shall be held and adjudged a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon, and in case a greater rate of interest has been paid, the person or persons paying the same, or their legal representatives, may recover back twice the amount of the interest thus paid from the association taking or receiving the same, provided that such action is commenced within two years from the time

the said excess of interest is taken. But the purchase, discount or sale of a *bond fide* bill of exchange, note, or other evidence of debt, payable at another place than the place of such purchase, discount or sale, at not more than the current rate of exchange for sight drafts, or a reasonable charge for collecting the same, in addition to the interest, shall not be considered as taking or receiving a greater rate of interest than seven per cent. per annum.

SEC. 2. It is hereby declared that the true intent and meaning of this act is to place the banking associations organized and doing business as aforesaid *on an equality in the particulars in this act referred to, with the national banks organized under the act of Congress* entitled "An Act to provide a national currency, secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof," approved June 3, 1864. And all acts and parts of acts inconsistent with the provisions hereof, are hereby repealed.

SEC. 3. This act shall take effect immediately.

From this statute we see that in New York the State banks are placed in the same position as the National banks in regard to usury. Hence, it follows that our banks, both National and State, incur no penalties for usury except the forfeiture of interest as prescribed in the National Banking Law. The old usury penalties in this State cannot long survive. The present interpretation of the usury statistics by the U. S. Supreme Court will be followed, no doubt, by the passage of a further act extending to private bankers and lenders of money in New York the same privilege which is now enjoyed by the State and National Banks alone. That such a law has now become inevitable is proved by the fact that one-fourth of the money lent on mercantile securities in this State is lent by private citizens, and not by banks. If one of these private citizens had discounted Dearing's note in the case we are now discussing, the lender, as a penalty for charging \$5.50 more than the legal rate, would have lost his \$2,000, which would have been transferred to the pockets of Dearing without any consideration whatever. Nor is this all; the lender would have been liable to go to prison for six months, and to be fined \$1,000 also. So long as such a barbarous law as this remains upon the statute book, and applies to one-fourth of the capital which changes hands in this State between borrower and lender, our usury laws will not only fail to merit the encomiums which are sometimes lavished upon them abroad, but they will continue to inflict secret but vital injuries upon our commercial, agricultural, and manufacturing industry. For this reason, as well as for many others, we expect that not only in New York, but in all the other commercial States of the Union, the Legislatures will pass such laws as will put an end to the evils of our conflicting, antiquated, and mischievous legislation on usury. It is one of the most conspicuous benefits conferred on the country by this adjudication of the Supreme Court that we shall now enjoy throughout the whole of the United States the important advantages for commercial growth and industrial prosperity, which are always developed by an enlightened and uniform usury law.

Two objections have been urged against the National Bank usury law, which, as we have seen, is now paramount in the whole United States. First, it is argued that borrowers need protection

from the rapacity of lenders, and that to repeal the penalties of usury is to place the weak borrower into the hands of his oppressor, the greedy lender, who will charge as much as he chooses. This is an old objection, and we have no doubt that in former times there was some truth in it. In these days of telegraphs, steam locomotion, and universal progress, the medieval remedies for the maladies of commerce and trade are no longer needed. They are both antiquated and mischievous. When the usury laws were repealed in England, in 1854, no sinister consequences followed. The effects of the repeal were popular and beneficial. The same may be said of the effects of the repeal of usury penalties in this country, as we have frequently shown. The evidence of facts, therefore, as well as that of scientific principles are arrayed in favor of the repeal of usury penalties.

But this brings us to another objection, namely, that the decision of the Supreme Court gives force to a law which will not repeal, but will only modify the existing penalty against usury. If our readers will carefully examine the table given above, they will see that there is considerable force in this argument, and that in some part of the United States, as in Kansas for example, the usury laws of the State are more liberal than even those of the National Banking Law. All that this proves, however, is, that great as are the advantages of the step just taken for the harmonizing of the usury legislation of this country, there are further reforms to be made in the future. What these reforms are, and what are some of the reasons for them, we shall show next month in an article on Foreign Usury Restrictions and their Repeal.

---

## DESTRUCTION OF CAPITAL BY FAILURES.

In connection with the growth of capital, it is an interesting problem, which has long tasked the ingenuity of economists, how much of the wealth of modern commercial nations is annually destroyed by mercantile failures. Subordinate to this question there is another of more practical importance, namely, what proportion of the failures every year arise from defects of the financial system and from causes for which the insolvents are not to blame? In Belgium, a statistical report has just been published which attempts to give a partial answer to this question. By what means the data were obtained, we are not informed; but the result of the investigation is said to demonstrate the fact that two-thirds of the failures in Belgium last year were traceable to causes beyond the control of the insolvent firms and individuals. The report extends over no more than a single year, and the statistics are, therefore, of less value than if they were the result of several years of observation. Moreover, the disturbed state of business in Europe since the Franco-German war, and the financial excitement due to the transfer to Germany of such vast

masses of capital, have developed a spirit of wild speculation which must have added greatly to the risks of mercantile transactions and industrial enterprise. Still the Belgian report has attracted much attention, and it will lead, we trust, to an effort on the part of other countries to collect more complete and trustworthy statistics in reference to the number of failures which annually take place, the aggregate liabilities involved, the dividends paid to creditors, the causes of insolvency, and the methods by which legislation may interpose to reduce the frequency of such failures as arise from causes over which insolvents themselves have no control. If the German and English economists who waste so much learning and ingenuity in the discussion of the labor question would turn their attention to the more useful and more practical questions here suggested, they would confer a greater service upon the community, and would give more aid towards solving the labor question itself; for every insolvency of an industrial firm throws laborers out of work. If, then, we can prevent the former class of evils, we avert the latter. If we can sustain the employers of labor, and keep them from being ruined by preventable failures, we shall confer a benefit on the workmen whom they employ.

Among the questions suggested above for investigation and discussion is the amount of the average dividend which is yielded by the insolvent firms in various countries. Some time ago we made various inquiries on this subject, but we found very few reliable statements accessible to the public. The general impression, however, seems to be that on the average in this country the estates of bankrupt firms would produce, if faithfully administered, about twenty-five to thirty per cent. This is perhaps too large an estimate, but, in the absence of more trustworthy figures, it has been made the basis of an ingenious proposition, to extend the principle of insurance to bad debts. The calculation has been made that a small insurance premium of about half per cent., or less, of the whole of the transactions of the country would raise a fund sufficient to insure the subscribers against all losses by the insolvency of their customers. The idea is certainly an original one. If it could be carried out it would be of much service to the mercantile and industrial growth of the country. But there are obvious difficulties in the way. Such an organization could not be carried on without some means of publicity which would present adequate checks upon dishonesty and fraud. Its success would demand a high state of moral integrity in the community, and it would tend to cultivate such integrity by rewarding and prospering it. The difficulties, great as they are, may not seem insurmountable hereafter. The progress of society may gradually help to realize this scheme, or something better of a similar kind. Greater obstacles have been surmounted in other departments of human effort and social progress. Such at least is the opinion of the advocates of this new project. What is certain is that if the system of insurance against the losses by industrial failures were made



familiar to the public mind, a powerful impulse would be given to all those investigations which have a tendency to throw light on the causes of such failures, and on the means of preventing that portion of those evils which is preventable. It is said that the establishment of life insurance companies has had much to do with those hygienic improvements by which modern nations have checked the ravages of epidemic and other diseases formerly so mortal, and have lengthened the average life of mankind. It will certainly be a great boon to human progress if in the sphere of industry an analogous benefit can be secured, and if an impulse can thus be given to the moral forces by which society protects itself from the destruction of capital which annually takes place here and in Europe from mercantile failures. It has been suggested that our Bureau of Statistics at Washington might do good service by compiling accurate, full statistics on the subject of failures at home and abroad, and digesting them in such a form as to be of service not only to the mercantile and banking community, but to economists and legislators here and in Europe.

In view of the recent heavy failures in Great Britain, it will be instructive to compare the insolvencies of England with those of other nations. Soon, it is hoped, the reports will be published in a form admitting of this comparison. From a paper by Mr. J. W. Bovill read before the London Statistical Society, we take the following facts, which will serve to give our readers some definite information as to this important subject.

"The proceedings in the Court of Bankruptcy possess paramount general interest, as a direct index of the prosperous or adverse circumstances of the community; but they also possess a peculiar interest, which attaches to a tribunal constituted, not for the determination of rights between litigating parties (though these are dealt with when they accidentally arise), but primarily and almost exclusively for the collection of the assets of bankrupts, and division of them among their creditors; and it is an interesting and important question, how far these objects are attained.

"The number of adjudications for the year 1865 were—

On petition of a creditor.....	769
“ the debtor.....	5,937
By registrars at the prisons.....	1,091
On petitions in <i>forma pauperis</i> .....	500
“ judgment-debtor summonses.....	8

---

8,305

"The total number shows an increase of 981, or 13·3 per cent., as compared with the total for 1864, but is less by 165 than the number in 1863; the increase in 1865 above the number in the preceding year extends to each form of procedure, except judgment-debtor summonses. In the number of adjudications on petition of a creditor, it amounts to 174, or 29·2 per cent.; on petition of the debtor, to 677, or 12·8 per cent.; in the number by registrars at the prisons, to 187, or 20·6 per cent.; in the number



"The totals are, respectively, to the number of adjudications made during the year, in the proportions of 73·2, 4·8, and 1·3 per cent., 20·7 per cent. of the number of adjudications remaining. In the preceding year the discharges granted, suspended, and refused, were respectively in the proportions of 73·8, 4·3, and 0·1 per cent. to the total number of adjudications; in 1862, 62·6, 5·41, and 1·6—a further instance of the facility of escape from liability afforded by the Court of Bankruptcy."

It is not surprising that dissatisfaction exists in the mercantile community at such results as these. It may well be expected that under such circumstances resort should be had to other modes of winding-up insolvent estates. In the year 1865, as Mr. Bovill states, "the total number of trust-deeds was 5,204, being an increase of 1,600, or 44 per cent., on the number of the preceding year. Of these, 2,733 were deeds of assignment, 2,344 deeds of composition, and 127 deeds of inspectorship." The discouraging experience of the English mercantile community in dealing with insolvency by the present system is very suggestive. It should stimulate the work of prevention, if indeed such a work is possible of accomplishment.

---

### THE POWERS OF BANK EXAMINERS.

One of the special safeguards of our National Banking System depends on its arrangements for publicity. These are of two kinds. First, every National Bank has to publish in the newspapers at stated periods a report of its condition. Secondly, each bank has to send to the Comptroller of the Currency a sworn statement of its condition, and that officer is expected to send an examiner to go through the books of every National Bank once a year, or oftener if he may deem it necessary. These various arrangements for publicity were looked upon with some suspicion when first proposed, but they have worked well and some of them are being adopted abroad, especially in Italy and in Germany. The following is the section of the National banking law prescribing the duties of the bank examiners:

Sec. 54. *And be it further enacted*, That the Comptroller of the Currency, with the approbation of the Secretary of the Treasury, as often as shall be deemed necessary or proper, shall appoint a suitable person or persons to make an examination of the affairs of every banking association; which person shall not be a director or other officer in any association whose affairs he shall be appointed to examine, and who shall have power to make a thorough examination into all the affairs of the association, and, in doing so, to examine any of the officers and agents thereof on oath; and shall make a full and detailed report of the condition of the association to the Comptroller. And the association shall not be subject to any other visitorial powers than such as are authorized by this act, except such as are vested in the several

courts of law and chancery. And every person appointed to make such examination shall receive for his services at the rate of five dollars for each day by him employed in such examination, and two dollars for every twenty-five miles he shall necessarily travel in the performance of his duty, which shall be paid by the association by him examined.

In the annual reports of the Comptroller of the Currency more prominence might very properly be given to the work of the examiners, on whose efficiency so much depends. The functions of these officers are twofold. They have to prevent bad banking, and they should also detect abuses and bring them speedily to light when they have occurred. The benefits which in both these ways have been conferred on the banking community, during the last ten years, are past computing. It has been affirmed that the singular exemption of the National Banking system from many of the evils of former systems of banking, in this country, has arisen to a large extent from the effective arrangements for publicity, of which the bank examiners form so conspicuous a part. These advantages would be more appreciated by the general public if the Comptroller would give an account of the work of the examiners in his reports, whose very purpose is to give to Congress, and to the country, a full statement of everything that is distinctive of our banking system, or able to throw light on the efficiency of its management and the benefits it secures to the country.

Another reason for exacting this information from the Comptroller is, that the relative efficiency of the various examiners would be brought to light, and the working of the system generally would be improved. It is particularly important that the number of ordinary examinations should be put on record which each examiner makes, and the number of extraordinary examinations. The ordinary examination is made, as we have said, once a year. But extraordinary examinations are obviously called for whenever a bank falls into irregularities. When a bank fails it usually comes to light that, for months or perhaps for years, the examiners have reported unfavorably of its condition, and that some correspondence has passed with the Comptroller's office. But the complaint has been made that the Comptroller and his examiners have been too slow in following up their investigations. This has been the case in some of the recent failures of National Banks in various parts of the country. Such complaints, if unjust, would be the more easily shown to be so by the reports which we are recommending. In this city, and in the great centers of business, the Clearing-House arrangements of the banks keep up so constant a communication between the various institutions that bad banking is soon detected. And yet, notwithstanding this fact, several banks have succeeded in concealing their position for years, although their capital and their solvency had been seriously impaired. In the country districts the case is worse still, as Clearing-House facilities do not exist for keeping a check upon the banks. It follows that in these districts the bank

examiners should be more alert, and the Comptroller will do well to devote a great deal of his time and attention during the coming year to the improvement of the organization of this important part of his work. We are approaching a very critical period in the development of our National Banking system, and its machinery will be put to a severer strain than at any time since it was first established. It is, therefore, of importance that every part of its preventive service should be brought to the highest state of efficiency.

We observe in some of the Western papers a controversy which illustrates the importance of bank examinations. A defaulting cashier committed suicide on the discovery of his defalcation through the efforts of the bank examiner. The directors had been very negligent, and, as country bank officers will sometimes do, they left the whole management of the bank to their cashier, who had thus abundant means of robbing the bank and of concealing his fraud. When the Comptroller wrote to the Board of Directors, the cashier concealed the fact from the directors; but when the Comptroller sent his examiner to make a special investigation in presence of the officers, and to examine them personally, concealment was at an end, and the adroit cashier was stopped from committing further depredations. It is the opinion of men of experience that if bank examiners do their duty, such defalcations as this could not possibly continue many months, and that the certainty of swift detection would go far to prevent them altogether.

---

## REAL ESTATE, CREDIT, AND CAPITAL.

BY GEORGE R. GIBSON.\*

"Trade," says Lord Chatham, "increases the wealth and glory of a country, but its real strength and stamina are to be looked for among the cultivators of the soil." It has been generally conceded as an axiom of political science that those nations which promote and encourage the sub-division of the soil, by the greatest freedom in the purchase and alienation of land, are likely to attain the highest agricultural development. Our Government as concerns its land policy has pursued an enlightened course. The results are revealed to us in the Census reports.

A comparison of these reports for the last thirty years will discover how progressive have been our agricultural industries within that time. 1. The statistics show that in 1850 there were a million and a half of land-owners in the United States; in 1860 over two millions; and notwithstanding the large withdrawal of our population in the civil war, there were in 1870 over two and one-half million land-owners, and the number by the first of January,

\*We have been obliged to slightly abridge this essay, to bring it within our limits. Its writer speaks after ample experience in the West as a financial agent. We intend at an early day to follow up the important subject on which it treats by a historical and critical account of the *Crédit Foncier* Institutions of Europe.

1876, will undoubtedly be three millions. The significance of these figures appears when we remember that there are but thirty thousand land-owners in England. 2. Instead of the consolidation of our property into immense estates, which writers agree retards agricultural development in England, the preponderating class of farms in our country averages from twenty to fifty acres. 3. The very large volume of our products, and its rapidly increasing ratio of growth, are exhibited in the table of returns of cereals. The production was: In 1840, 615,525,302 bushels; in 1850, 867,453,967 bushels; in 1860, 1,239,039,945 bushels; in 1870, 1,629,027,600 bushels. That the soil is the ultimate basis of wealth, and that its tillers constitute the bone and sinew of a country, both in time of war and in time of peace, is verified by the reason and experience of men. Every man who possesses a foot of soil is personally bound up and interested in the national strength and prosperity; and when revenues are to be raised, and heavy blows are to be struck to preserve a nation's life or honor, the sturdy yeomanry of the land are its firmest reliance.

The United States is preëminently an agricultural nation, but the chief seat and center of it, agriculturally as well as geographically, is the Mississippi Valley. Statistics show that the aggregate crop of cereals in 1872 was 1,656,198,100 bushels. Of this, the States of Michigan, Minnesota, Iowa, Missouri, Kansas, Nebraska, Illinois, and Indiana alone produced 1,028,987,300 bushels, or 62 per cent. of the grain product of the United States that year. If to this be added the yield in the lower Mississippi States, notably Texas, Tennessee, and Kentucky, it will be seen that more than three-fourths of the total grain crop of the United States is produced in the basin of the Mississippi. The energies of the whole population in this region are devoted to agriculture, whereas those of other sections are given to manufacturing and trading.

That the National land policy has been beneficent admits of no doubt, but it is held that the National fiscal legislation has militated against the landed interest in some respects and neglected it in others. This and similar questions are the basis of the currency agitation of the West. We cannot believe that the advocacy of the vagaries of paper money arises from any strong predilection entertained by Western people in favor of such theories. It results from a feeling which unconsciously and involuntarily pervades Western communities, that something in the social organism bears heavily upon them. Their clamors for free banking were followed by its adoption. This modification of the National Banking law did not bring an increase of the circulating medium, showing conclusively to all, what many knew before, that trade did not require any more money in general circulation.

As this scheme could not afford relief, many of its friends turned to the advocacy of an increased issue, by Government, of the present irredeemable and inconvertible legal-tender currency. But whatever men's views may be on the question of specie payments, those who are honest, who read history, and reason closely, must

confess that any arbitrary inflation in a time of profound peace would but inaugurate another era of speculation, over-valuations and over-trading, and would involve us almost inextricably in the meshes of National dishonor, repudiation and bankruptcy. We cannot believe that any good could come permanently to any class, debtor or creditor, commercial or agricultural, by such a course, denounced, as it is, by the lessons of history and by the precepts of reason. If the country were flooded with paper promises to pay, the farmer could obtain no greater proportional share unless his credit—the credit of his land—were enhanced. Under the *régime* of an inflated paper currency, investors would completely cut off their present favors, for long loans might be paid in a still more depreciated currency. This, then, is the key to the whole problem. What the Western and Southern land-owners require is not more currency in general circulation, but greater facilities for borrowing upon their farm lands.

Our conviction, based upon considerable experience and investigation, is, that the movable and loanable property of the country has not offered the assistance to the real estate interest which it has furnished to the interests of manufacturing, mining and trading. Whilst railroad corporations have been able to float 2,230 millions of their obligations having 20 to 40 years to run; whilst the States, cities and municipalities have issued hundreds of millions of bonds and drawn largely upon their future resources in order to sustain and develop themselves; whilst mining and industrial companies have disposed of their shares to a very large extent, and whilst merchants, manufacturers and traders generally have pledged their credit and properties to obtain large accommodations at banks, the real estate interest, the most solid and indestructible of all, has only been able to secure an advance of 4 per cent. on its estimated value!

Land can pass through the convulsions of politics and society, and resist the inroads and destructiveness of war, with less diminution in value, than any other species of property. And this high character of landed security, coupled with the fact that in the most elaborately organized societies of the Continent, land claims its fair proportion of credit, indicates to us that through either carelessness or design the monetary organism of the United States is defective as it relates to real property.

If we are asked to specify some instances where agricultural interests have not been provided for, we reply that the National banking system cannot, either by its nature or by the law of its organization, afford that aid and accommodation to the farming and planting interests which necessity renders almost imperative. We do not insist upon the abolition of National banks for this reason, for they, or banks of some description, perform invaluable services to society; we merely contend that their sphere is not co-extensive with the diversified wants of the nation. A glance at our country discloses the fact that it may be divided by sectional lines, the wealth of the West and South consisting princi-

pally of land or fixed capital, whereas that of the East is more varied, and consists partly of movable property of different kinds, such as merchandise, stocks, bonds, and money. The property and wealth of a Western farmer, composed as it is of land and immovable property, is naturally the security which he offers to secure monetary accommodation. And here appears the injustice of which we treat. The National Bank Act prohibits banks organized under it from accepting such security. The farmer's security, as safe and sure as the solid earth itself, he offers in vain to hypothecate for a loan, whilst the merchant or trader with a paper collateral, some evidence of debt, perhaps, is able to secure all the accommodation desired. It is a characteristic of banks in general that as long as they bank principally upon demand deposits they are unfitted and unable to meet the requirements of a farming population, who want to raise money on bond and mortgage or by long loans on landed security.

A considerable period elapses between seed-time and harvest, during which the farmer or planter is constantly adding an expenditure of time, labor, and money. Again, prudent farmers do not desire to precipitate their products upon the market the moment they are fitted for it, lest it should be glutted, and prices should decline. Moreover, the high freight tariffs, averaging 50½ cents per bushel, from the Mississippi to New York, deter many from selling their bulky products, and incline them to the purchase of live stock. These operations sometimes extend over long periods of time, and require the most positive assurance of a constant supply of vast sums of money. Banks of discount cannot extend accommodations for such a length of time, and can only approximate to the farmer's wants by repeated extensions or renewals. But the fluctuating nature of deposits, and the sensitiveness of confidence, may force them suddenly to withdraw this accommodation. Such a result must necessarily be disastrous to the farmer; and loss or ruin would be inevitable if the unexpected demand upon him were pressed at a critical time.

The great accumulations of capital in the insurance companies and savings banks in New England, furnishing a large reservoir of loanable money, supply the limited wants of their land-owners. The usages of some States restrict most of their savings banks to real estate loans in the State in which they are located. The Western land-owners must trust to the present cumbrous method of transferring private capital from the East to the West, which is tedious, uncertain, and expensive. Doubtless, however, they have derived a great benefit at the hands of institutions supplying them with Eastern loans. Manifestly the great want of the West and South to-day, is the introduction of some new institutions especially adapted to their wants.

What should be the nature of such organizations? Should we establish Land Banks of issue or Land Credit Companies? Of the former, it is enough to say that they issue *currency*, directly or indirectly, upon landed security. Their advocates in former times



did not distinguish the vast difference between credit and currency, and they enthusiastically supported the establishment of Land Banks of issue. Their assumption was, that the "paper issues could never be in excess so long as property remained in the banks' hands sufficient to represent and sustain them." Their premises being false, their conclusions were necessarily erroneous. With proper restrictions, currency based upon land would be eminently safe, so far as concerns its ultimate security, but it would not subserve the purpose of a money basis, for the simple reason that it lacks the important element of instant convertibility. Moreover, there is no necessary connection between the quantity and value of the land of a country and the volume of money necessary to perform its exchanges. The notorious John Law, whose extravagant operations are familiar to all, gave an impetus to the doctrine of the utility and desirability of Land Bank issues. His Utopian scheme, when tested in the crucible of practical experience, betrayed the folly and sophistry of such propositions.

The errors of this school of thinkers were fully manifested by the extraordinary issue of *assignats* during the French Revolution. The story of these Government issues, redeemable in the confiscated estates of the Church, and the confusion of values and exchanges incident to their issue, form one of the most dramatic and instructive warning chapters in history. The doctrine of the currency of land, though occasionally revived, is now generally repudiated. Unquestionably, the great desideratum now is to enhance the *credit* of land by providing facilities for land-owners to obtain money upon landed security at favorable rates, coupled with power in the hands of the loaning corporation to mobilize the capital thus invested in mortgages. The abundant success of the *Crédit Foncier de France*, and of other European Land Credit Companies, warrants us in favoring their trial in this country. Though they differ in some particulars, the general plan of such companies is, first an organization under the sanction of the Government, which invests them with special privileges and limitations and authorizes them to begin business with a specified capital. This capital is invested in mortgages bearing a fixed rate of interest. Thereupon they borrow money upon their own bonds, based upon their capital and their fund of mortgages, the companies' bond bearing a lower rate of interest than that received from the mortgage investments. This difference between the rate at which the institution borrows and the rate at which it lends constitutes its profits for conducting the negotiation and pledging its capital as additional security. The fact that the institution is under Government patronage, and subject to examination, endows it with an ability to negotiate its bonds with greater rapidity, and upon more favorable terms generally than individuals, though the latter may offer as valuable securities. The purchaser of the bonds of the institution looks to the mass of mortgaged properties as a policyholder of a life insurance company looks to the aggregate assets of the company out of which he is eventually to be paid.

The high credit enjoyed by the bonds of the European companies formed on this model, encourages us to believe that such institutions could be successfully transplanted to our soil. It has been stated that in France land-bonds bearing 5 per cent. interest sold in 1872 at higher prices than Government issues of the same interest rate, and their standing in the money markets of the Continent is unsurpassed. The *Crédit Foncier* had outstanding in 1870, \$250,000,000 in bonds, which had been issued directly to the borrower in exchange for his mortgage. Under this arrangement the borrower negotiates the company's bonds, his only expense being a small annual commission paid to the company to remunerate it for its responsibility. It is the more common practice, however, for European Land Credit Companies to issue and negotiate their own securities at a rate lower than that received from borrowers. To demonstrate the need of similar institutions of land credit, several Mortgage Companies have been organized in this country. But their remoteness from the sections in which they loan, and their policy of loaning almost exclusively on city real estate, have rendered their existence almost unknown and their influence unfelt among landed proprietors.

The editor of *The Financial Chronicle* instances the case of a British capitalist who complains that there is no provision for obtaining trustworthy facilities for making investments in real estate loans in this country. This is but a straw indicating the direction in which the wind blows since the terrible gale of 1873 unsettled the foundations of so many species of investment. We may be assured that there would be a large demand for the obligations of Land Credit Companies, founded on these general principles, and that their profits would insure their rapid growth, especially if, as has been proposed, they could be organized under some general law of Congress which would give them the *prestige* now enjoyed by National banks of deposit, discount, and issue.

Let us next proceed to demonstrate their utility to the farmer. It may be contended that a greater facility in obtaining money upon mortgage would lead to extravagance and a perilous increase of debt; but if the facility in creating the debt is accompanied by an equal facility in its recovery by the creditor, there is no more reason to apprehend prodigality than in any of the transactions of commerce. Economists agree that increased marketability of any commodity increases its value, and that greater rapidity and ease in exchanging an article for money also largely enhances its value. Land is amenable to the same economic law.

The land-bond would give that rapid negotiability to land and that "play" of capital which is so much sought after. It would solve the long-vexed question of giving currency to land in a manner far more satisfactory than a Land Bank possibly could do. It would invest land with those attributes which were supposed to be monopolized by movable property. It would enable the farmer to mobilize his land, to bring it under the operation of those economic and commercial laws which have met such deter-

mined resistance in the inflexible and inconvertible nature of land. It would enable the farmer to capitalize his lands, and thus improve them, deriving a sufficient additional income from such improvements to pay the interest, and gradually retire the principal. It would make the farmer independent of the necessities of forced or hurried sales, and would emancipate him from the oppressiveness of unwieldy and non-circulating capital. It would diminish, in some respects, the inconvenience of land as an investment, and it would make investments in real estate a formidable competitor with other species of property for favors at the hands of the capitalist. Land Credit Companies would give the Western and Southern land-owner a speedy and cheap means of borrowing the capital of Europe and the Eastern States. Such organizations, under enlightened, honest management, would reflect honor on our financial statesmanship, would give relief to the agricultural classes, and would by degrees attract the confidence of investors all over the world.

MATTOON, ILL., November, 1875.

G. R. G.

---

### THE TAXES ON BANK CAPITAL.

The report of the Commissioner of Internal Revenue contains some remarks upon the taxation of the capital and deposits of banks, bankers, and brokers. It is to be desired that Congress would exempt both the capital and the deposits of all banks from every form of taxation. The only proper subject of a special tax on banks is their circulation. How much per cent. upon the circulating notes our banks are able to bear is a question which has been much disputed. But certainly the special taxes on banks should be levied on nothing else. This fiscal principle has long been recognized by the commercial nations of Europe, in none of which are the banks burdened with any such taxes on their capital or their deposits. In the subjoined extract from his report the Commissioner of Internal Revenue at Washington does not recognize this fundamental principle, but he offers some interesting illustrations of it. He says:

“National Banks pay taxes to the Treasurer of the United States in the months of January and July of one-half of one per cent. each half-year upon their deposits, and the same rate each half-year on the average amount of their capital stock beyond the amount invested in United States bonds. These taxes are collected by the Treasurer, and constitute no part of the internal revenue. Since the organization of National Banks the amount realized from these sources up to the close of the last fiscal year has been \$64,989,376.46. The amount realized during the last fiscal year was \$7,270,758.40. The amount paid by the National Banks on deposits alone during the period of their existence up to June 30, 1875, is \$30,018,028.12, while the amount paid during the last fiscal year is \$3,427,576.31. Other taxes on banks

and bankers, not National, are collected under the Internal Revenue laws. The persons, firms, and institutions thus taxed embrace every incorporated or other bank, and every person, firm, or company having a place of business where credits are opened by the deposit or collection of money or currency subject to be paid or remitted upon draft, check, or order, or where money is advanced or loaned on stocks, bonds, bullion, bills of exchange, or promissory notes are received for discount or for sale. These taxes consist of one-twenty-fourth of one per cent. each month on the capital employed by these banks and bankers, beyond the average amount invested in United States bonds; of one-twelfth of one per cent. each month upon the average amount of circulation issued by them, and an additional tax of one-sixth of one per cent. each month upon the average amount of such circulation issued beyond the amount of ninety per cent. of the capital of the bank, association, company, or person.

"By the existing laws the deposits in savings banks made by any one person are not liable to tax unless they exceed \$2,000, and this exemption, instead of being confined to savings banks having no capital stock and doing no banking business, is now, by recent legislation, extended to classes of institutions bearing kindred names, having capital stock and making dividends. The fruits of this legislation are shown in a table appended to the report, from which it appears that the average amount of capital held by these banks and brokers (not National), in May, 1875, was \$200,316,098; that the average amount of their deposits in the same month was \$1,346,014,813; that the total capital and deposits in the same month were \$1,546,330,911, while the amount of the taxable capital and deposits of these banks and bankers during said two months was only \$780,494.76, or little more than three-fourths of a million of dollars, while the amount of actual capital and deposits of these same institutions was, in round numbers, \$1,546,000,000. The table shows this taxation is distributed very unequally among the States. The city of New-York, possessing taxable capital and deposits \$50,000,000 less than Maine, New-Hampshire, Vermont, Massachusetts, and Connecticut combined, pays a tax three times as great as these States. If deposits in these so-called savings institutions are thought a proper subject for exemption from taxation where they are employed with such profitable results, it were better to return to the rule adopted by Congress in 1866, where deposits made by any one person in excess of \$500 were subjected to taxation."

We regret to find our Commissioner of Internal Revenue proposing to renew so mischievous and unpopular a tax as that on savings bank deposits. Those of our readers who have an accurate acquaintance with the interior working of these institutions know that it is with the utmost difficulty that many of them can pay interest on their deposits at the present rates allowed to depositors. A better remedy for the evils referred to would be the repeal of the tax on banking capital and deposits altogether.

## OLD AND NEW FLUCTUATIONS IN GOLD.

## No. 3.

Two great questions have been started in regard to the fluctuations of the precious metals in value; first, what changes will these fluctuations produce in international coinage and in the relative prices of commodities; and, secondly, what are the controlling causes of these fluctuations in the relative value of gold. Among these causes we find that the extent to which the enlarged supply yielded by the mines at different periods has been coined into money, occupies, of course, a prominent place. Some aspects of his second question are discussed by a well-informed writer in *Blackwood's Magazine*, from whose article we condense the subjoined extracts:

Where are now the vast hoards that history talks about? Where are the golden stores of Croesus, Solomon, Cyrus, and Sesostris? Where is the treasure which Shah Nadir conquered from the Great Mogul? Where are all the heaps of metal that have been sifted out from river-beds and dug from mines? The present Western world has certainly not got them—they exist in no place that we know of; and though we may suppose that a goodly portion of them has been hidden under ground, and there forgotten, and that another fraction is lying at the bottom of “the greedy sea,” those two explanations seem scarcely sufficient to account for the disappearance of so many of the much-loved millions that mankind has successively possessed.

A Russian gentleman named Narces Tarassenko-Otreschkoff has written an odd book about gold and silver, has given in it a variety of laborious calculations, and has deduced from them, with curious inventiveness, that the entire stock of the precious metals which the world had owned from Noah down to Christopher Columbus amounted to £1,800,000,000. It is of no use to deny the statement, for we cannot in any way disprove it; it is not of much use to believe it, for it is based upon considerations, testimonies, and valuations which merit no serious credence. But as it is the only reckoning which exists upon the matter, its very loneliness supplies it with a worth, just as a white thrush possesses enormous value; for that reason we may as well take it as it stands, with the trusting confidence of ignorance. And there is the more ground for not making too much difficulty about the product of the first few thousand years of the earth's existence, because the last four centuries alone have provided us with very nearly twice as much treasure as M. Otreschkoff attributes to the entire period antecedent to 1492. There does not seem to be much doubt on this latter point; for the monetary Congress held

at Brussels in 1873 has published official documents in which we are told, as a seriously probable fact, on the evidence of Humboldt, Jacob, and many more authorities, that the quantities of gold and silver of which we have become possessed since the discovery of America, represent a value of about £3,200,000,000. Consequently, on these two showings, the general total collected between the deluge and the Tichborne trial would be, approximately, £5,000,000,000. Now, according to these same Brussels papers, the entire stock of metal actually held, in any form, in Europe and North America, does not exceed £1,800,000,000, of which £1,000,000,000 is in gold and the rest in silver; so that, if we guess the share of South America, Australia, and the colonies at £200,000,000 more, the whole present store of the Christian countries of the world amounts to about £2,000,000,000. The other £3,000,000,000 we will look at separately.

The manner of employment of the Christian £2,000,000,000 would seem, as well as we can judge it, to be somewhat as follows:—£650,000,000 of it exists in coin, in effective circulation; on that point the economists appear to be tolerably of one mind, for the differences between them do not exceed the trifling sum of £100,000,000. The quantity absorbed in plate and ornaments (including house-gilding) can only be estimated arbitrarily; but as McCulloch put it many years ago at £112,000,000 for Great Britain and Ireland only, it does not seem to be too fantastic to guess it now at nine times as much, or £1,000,000,000 for the entire Christian world. A balance of £350,000,000 would thus be left to represent the hoardings of baptized humanity. Of course these figures are partially imaginary, but as they are not in contradiction with any evidence on the subject, it is just possible that they may not be very outrageously wrong. If true, they indicate that one-sixth of the Western store of precious metals is hidden away (probably in coin), that two-sixths of it are in effective circulation as money, and that the immense proportion of one-half is held in plate and ornaments.

The annual loss by friction, shipwrecks, and accident, is counted generally at  $1\frac{1}{2}$  per cent. on the cash circulation; the waste and wear on the metal used in the arts may be put at one-half per cent.; and the loss on hoarded treasure at as much. If the fairness of this arithmetic be admitted, a total loss is constantly occurring on the £2,000,000,000 which belong to the civilized countries of the earth, at the rate of about £16,000,000 in a year. That is the first element of waste, and the richer we get the higher will it mount up. Luckily, the annual production of gold and silver now averages about £40,000,000; there is, therefore, a margin still remaining for the current needs of the world, which are, according to McCulloch, at the rate of £10,000,000 a year for increase of currency, and £12,000,000 for use in the arts.

The other £3,000,000,000 are more difficult to deal with, for we have scarcely any evidence to guide us; the books are dumb about the question. We know as a general fact, which

cannot be disputed, that a vast proportion of this sum, especially in silver, has got away into Asia, but it is impossible to seriously suggest what has become of it there. McCulloch does, indeed, express the opinion that £400,000,000 are now employed in India in coin and trinkets; and intimates that the burial of silver is carried on so actively in the East, that in six years only, from 1852 to 1857, £100,000,000 were so disposed of in Hindostan and China alone. It is true that this rate was exceptional; but when we remember that the exportation of the precious metals to Arabia and India was commenced by the Phœnicians, and that it has been going on, more or less, ever since their time, it becomes clear enough that a prodigious quantity of them must have drifted to oriental countries, whence very little, relatively, has come back. It seems to be accepted on all hands, that the sums successively interred there are altogether beyond measurement, and that the richest metallic deposits on earth are sprinkled over Eastern Asia in forgotten hiding-places. Even if we admit, for form's sake, that £1,000,000,000 still exist in use there, there would yet remain £2,000,000,000 unaccounted for; and though it is quite obvious that a part thereof represented the accumulated loss of forty centuries in Europe, it still continues to be reasonably probable that the greater portion of this huge sum is somewhere underground in Asia. If, to gratify our curiosity, we capriciously suppose that only half of it is so interred, it would follow that one-fifth of all the bullion that the world is supposed to have ever seen has disappeared in this way, and that another fifth has been lost by war, by friction, waste, or accident. The true proportion may, perhaps, be larger still, and we certainly do not exaggerate in estimating it at two-fifths of the whole £5,000,000,000 on which we are calculating. Furthermore, whatever be the sum, it is increasing, and will continue to increase, with production and consumption.

Here, then, is an answer—for what it may be worth—to the question that was put just now. We estimate the total disappearance of treasure since the Tower of Babel at £2,000,000,000, and we reckon that waste is now going on, in Christian countries only, at the rate of £16,000,000 a year. To make the account complete,\* the present annual loss in Asia, whatever that may be, must be added to it.

This leads us to a second element of the subject. We have found out, during the last hundred years, that, though adopted as an emblem, money is a merchandise as well. It is both a measure and an equivalent: not, however, an ideal measure, like a yard or an hour, which can be conceived, exactly, in space or time; not an ideal equivalent, like a weight which is equal to another weight, or a force which is balanced by another force,—but an effective measure, a practical equivalent, possessing a value of its

\* The reader can compare these statements with the figures given below, pages 457-462, as well as with the elaborate estimates given, from various sources, in recent numbers of the BANKER'S MAGAZINE.

own identical with that which it is employed to express. It is not only a sign, it is the thing signified as well. It is this reality, this intrinsic substantiality, this inherent authenticity, which form the essential basis of the actual system of metallic money; it has been fought about tremendously; tons of angry books have been composed upon it; but it has at last attained the altitude of a principle, it has become a science all by itself, and nobody would now presume to entertain a doubt about it.

And yet from this reality springs up, like a butterfly from a chrysalis, like a flower from a bud, that pretty, airy, vaporous product—paper money, which forms the third or elastic-fluid section of the subject. It is precisely because gold and silver money is so real; because, being real, it is excessively expensive; because it is risky to move about; because it wears away, and may be lost; because, in fact, it has all the inconveniences of reality, that it has been found necessary to replace it, as much as possible, by a counterfeit. This is indeed most curious logic. The admirers of paper money first prove to us, by triumphant arguments, that money ought to be, must be, is bound to be, a reality; and then they go on, glowingly and triumphantly as before, to demonstrate that a fiction must necessarily be employed to replace that reality. Of course their arguments are convincing; of course it is impertinent to discuss them; of course it is indispensable to have gold coins because they are genuine money; and of course it is consequently indispensable to have bank-notes because they are fictitious; of course reality is the essential parent, and of course a sham is the inevitable child; of course a bank-note is the necessary product of a gold coin, and dollars or sovereigns would be altogether incomplete without bank-notes. All this is without doubt quite true, and yet it does not look like either truth or common sense; but the paper money men require us to believe it, so we bow down our heads and meekly submit. But faith does not imply comprehension; faith is generally supposed to be a process by which we admit what we cannot understand, and that definition of it applies most certainly to this case. We might have grasped the logic of the paper money men if they had contented themselves with recording that, as we have not got enough metallic money for our wants, we have therefore supplemented what we have of it by a simulated representative, to which, for the sake of convenience and facility, we have attributed a certain nominal value. We could have unquestionably agreed with them if they had asserted that, as real money is a costly and wasteful luxury, as, in England only, on our supposed £70,000,000 of circulating coin, we are paying, at  $1\frac{1}{2}$  per cent. per annum, about £1,000,000 a year for wear, tear, and loss, it has been found practical to replace it by a cheap substitute. But they do not content themselves with elementary considerations like these; simplicity is good enough for the unlettered public, but is unworthy of paper money philosophers; so, scorning facts, they mount to principles, and assure us, without inquiring whether we understand them,



that, according to those principles, money is governed by two fundamental laws—the first, that it cannot be money unless it is intrinsically worth what it pretends to represent; the second, that money which has an intrinsic value is so full of disadvantages, defects, and inconveniences, that it is indispensable to replace it by paper, because the latter has no value at all.

Still, whatever be its theoretical position toward coin, paper money is particularly handy; and if we could only remain in ignorance of the fact that, possibly, it may lose its assumed value and be worth nothing, we all should be inclined to look upon it with a tenderness absolutely parallel to that which we accord to the brightest gold coins. Unluckily, however, for our trusting fondness, it does sometimes happen that bank-notes deceive us, that they are not really convertible into the metal which they claim to represent, and then we mourn, and say it is a great shame. Great Britain did so, doubtless, in 1813, when the one-pound notes of the Bank of England fell to 14s. 2d.; and the various Continental nations have had, and have, frequent opportunities of conceiving the same sentiment. Whatever be the power of bank acts, they do not suffice, in any land, to constantly maintain the price of this sort of currency. All that the wisest governments can do is to lay down rules which work well in quiet times; for the whole world knows, by personal experience, that no rules whatever can be relied on to keep bank-notes at par in days of crisis. But, as days of crisis are not frequent, we run the risk of them, and, from old habit, and indifference, forget that all paper money is a sham—an excessively meritorious sham, but none the less a sham. It wants but reality to be considerably more perfect than the metals whose place it takes; and it is quite comprehensible that, notwithstanding its one defect, it should have spread all over the earth, since Marco Polo first discovered it in China six centuries ago. It weighs nothing, it costs nothing, and if it is lost, nothing is really lost. Of course the loser loses by his loss, but as the issuer gains an exact equivalent by the suppression of his liability, the loss is merely individual, not general; whereas, if a sovereign drops into a chink, the entire nation is twenty shillings poorer. These are immense qualities to possess, and it is indeed deplorable to be obliged, after enumerating them with hearty admiration, to come back again to what we said just now, and to repeat once more that paper money is a sham. It is, however, "currency," which means that it has the capacity of being current; and so long as it retains that capacity unimpaired, it certainly merits to be regarded, with tea, gunpowder, and the compass, amongst the most admirable of the many inventions which we owe to the Chinese.

Lastly we observe that this many-sided question includes the differences of production, relation, and position between gold and silver. Before the discovery of gold in California and Australia, by far the greater part of the harvest of metal from Spanish America was in silver; the ratio of yield was then (in value) about

four of silver to one of gold; but since 1850 the proportion has changed so utterly that it has now become one of silver to about three of gold. In other words, the worth of the gold raised, as compared with that of the silver simultaneously obtained, has risen sevenfold during the last twenty-five years. This must be humiliating for silver. It came into use so long before gold was heard of, that it might have legitimately expected, if men had gratitude, to continue to preserve its ancient rights undamaged, and to retain, in its venerable quality of the oldest inhabitant, a constant position of prescriptive priority over its richer and more gaudy rival. But, if silver did really have the presumption to think all this, it has been most unpleasantly undeceived, for gold has partially succeeded in turning it out offensively into the cold shade. Look, for instance, at the monetary system of England, where no gold money was coined until 1527; where, until that date, no gold money was seen except such foreign gold pieces as managed to creep surreptitiously into use amongst our ancestors; well, even here, in the old home of strong conservatism, they have dethroned the ancient silver, and have forced it into the second place. It has lost "the battle of the standards;" not, as the phrase may possibly suggest to the unlearned, a fight, in war time, for regimental colors, but the struggle between white silver and tawny gold as to which of them shall constitute the official "standard" by which the money of the country is to be regulated—that is to say, which of them shall have an unvarying mint value, fixed by law; the other being degraded to the contemptible position of a mere vile merchandise, of varying price, like sugar, indigo, or cotton. All other countries, however, have not acted towards unlucky silver with the same oblivion of former benefits. We have induced Portugal, Brazil, and Turkey to do like us, but elsewhere the ancient claims of silver have been kept up. They are still recognized in South America, Holland, Russia, the Scandinavian kingdoms, and the East; and though in France, Belgium, Switzerland, Italy, Spain, and the United States, gold has been admitted to an equality of rights with silver, the latter in no way suffers by the parity, but keeps up its privileges under the shelter of a "double standard." It would be a gloomy process to explain exactly what a "standard" is, and how it works; those who desire to know all about it can study its mysteries in the special books, of which there are a tremendous number, for the fighting on the question has been long and bitter, each nation angrily declaring that its own plan is the only right one. The relationship of value between gold and silver is a different matter altogether; it has never varied very much in Europe; it has stood there regularly at one of gold to fifteen or sixteen of silver. In China, however, where silver has always been enthroned in the place of honor, the rate was formerly about one to ten; and in Japan, when the latter country was first opened up, some twenty years ago, it was as low as one to four, so enabling sharp speculators to make enormous profits, for a time, by exporting gold.

But if in Europe the bullion value of the two precious metals has remained tolerably steady towards each other, the value of money itself has received many impulses up and down since it was first invented. A careful calculation of the successive changes which have occurred in it was published, some years ago, by the well-known French economist, J. B. Say, who arrived at his results by working out the variations of the price of wheat at different periods of the world's history. His tables indicate that, according to this gauge, money was five times more valuable in 200 B. C. than it is now; that in the eighth century, after the abandonment of the mines of Spain and Attica, it had risen to six and a-half times; that in the fifteenth century it had got up to its maximum of seven and a-half times our present scale; that immediately after the discovery of America, when quantities of metal began to circulate in Europe, it rapidly declined; that in 1514, only twenty-two years after the first voyage of Columbus, it had fallen to four and a-half times; that in 1536 it was down to two and a-quarter times; and that it was nearly at our actual value in 1640. By this showing, £100 were worth as much in the year 1450 as £750 are now; and as, in addition to this contrast in the practical worth of money, there were then, comparatively, no means of spending, no luxuries, and no needs, it is probable that the real difference of relative wealth was far greater still. It may, indeed, have been possible, allowing for these subsidiary considerations, that £1 produced four hundred years ago as much as £20 will offer now.

Such are the chief arguments of the essay before us, in regard to the great monetary questions which lie at the threshold of all inquiries into the fluctuations of general prices. It is to be regretted that the writer has been less exact in some of his facts than the importance of the subject deserves. Besides other errors, he underestimates the importance of the fluctuations in the value of silver, and he fails to comprehend the embarrassment which is even now perplexing and disturbing the monetary systems of Europe. Some of these troubles arise from the fact that the chief countries of Europe find it so difficult to agree upon any united, harmonious action in regard to international coinage, whether of gold or silver.

Another difficulty is, that a constancy of relative value between the two metals, though desirable, is less likely than ever. Prior to the present century it was regarded as impossible to manage the simultaneous circulation of two metals of different value. England was the first to discover, and in 1816 to apply, the principle by which this difficulty can be overcome. The method was, in short, the making gold a legal tender for all amounts, and silver only a legal tender for sums not exceeding 40 shillings in one payment. Prior to that a double standard had been customary in England and elsewhere, gold and silver being each legal tender for all amounts; with results such as are usually experienced, the market ratio of value constantly varying sometimes above and sometimes below the mint standard, and driving first one and then the other

metal from circulation. A frequent result was a call for new legislation on the subject, which usually tended to depreciate the standard of coin. In 1853 the United States adopted the subsidiary principle in respect to the fractional coins, and such silver was made only a legal tender in sums under \$5. But the subsidiary relation was confined to the fractional coin, and did not apply to the silver dollar until 1873, when that also was demonetized along with the fractional coin.

In the United States no inconvenience then ensued, owing to the fact that the ratio adopted by the mint was during that period always in excess of the market, the former being 16 to 1; while the latter was from  $15\frac{1}{4}$  to  $15\frac{6}{10}$  to 1 during that period. The silver dollar was then thus overvalued, and consequently was demonetized, since nobody would make payments in the relatively dearer silver dollar when the cheaper gold would avail. France, jointly with Switzerland, Italy, and Belgium, adopted in part the subsidiary principle in 1855, silver coins lower than five francs being so reduced in fineness that they were overvalued tokens, and were made legal tender for sums not exceeding 50 francs. But the five-franc piece, like the United States dollar, was still permitted to remain a legal tender for all amounts. Unlike the United States, inconvenience did result, the mint ratio assumed being  $15\frac{1}{2}$ , while the market ratio fluctuated above and below that point. Prior to about 1870 the market ratio was  $15\frac{3}{8}$  to 1, and gold circulated to the exclusion of legal-tender silver. Since then the market value has risen to a point above the mint standard, and given a tendency to silver to circulate in place of gold. This tendency has been partly counteracted by the French, Swiss, and other Governments of the Quadripartite Convention, discouraging the coinage of the legal-tender silver.

Germany and the Scandinavian countries are now endeavoring to recede from their former exclusive silver standard, and to adopt a gold standard instead, with a new silver coin, which is legal tender in limited amounts. But, like France, Germany still retained its old silver coinage as legal tender in all amounts. As a result, she has experienced great difficulty in placing her newly coined issues on the market, her gold either being exported—which is commonly the case—or remelted at home. In establishing the coinage, the German Government assumed the ratio of value of gold to silver at  $15\frac{1}{2}$  to 1, by fixing the relative weights of the two metals in corresponding proportion for like denominations. The market value in the same period was  $15\frac{1}{2}$  to 1, which excluded the gold from circulation, the silver being relatively the cheaper. Germany suffers from embarrassment on this account, as the legislation of the Imperial Government cannot compel the two metals to circulate simultaneously unless in accordance with the natural laws of trade. On the 1st January, 1876, the new German law for the adoption of the gold standard goes into effect, and its effects will be watched as the most notable of the monetary revolutions produced by the fluctuations in gold.

## MR. SPAULDING AND THE GREENBACK CURRENCY.

The Hon. E. G. Spaulding is preparing a second edition of his History of the Legal-Tender Act. We have received advance sheets of part of the additional matter which is to enrich and improve the work. This new matter consists of an introduction of 32 pages, and an appendix containing letters from various prominent men relative to the currency question. In the former, Mr. Spaulding gives an interesting account of the circumstances under which the legal-tender act was passed, and makes some important practical suggestions as to the resumption of specie payments. Three great errors, he says, have distinguished our financial system during the paper money period, which, as we hope, is now drawing near its end. We abridge as follows the main points of his narrative, which have the more value in view of the probable discussions of the currency question in Congress.

## THE FIRST ERROR IN OUR FINANCIAL POLICY.

The first material mistake in the management of the finances, occurred when Secretary Chase discarded the use of the bank check, and the clearing-house, in the Fall of 1861. The Secretary of War might, with the same propriety, have rejected the railroad, the locomotive, and the telegraph. The modern invention of the bank check and the clearing-house for the transaction of large financial operations with facility, are quite as useful as are railroads and telegraphs in carrying on military operations with success. The Secretary of War did not fail to make use of the railroads and the telegraph, but the Secretary of the Treasury, by sticking to the sub-treasury, and rejecting the bank check and clearing-house, committed a great blunder at the commencement of the war. This mistake occurred under the following circumstances: Two important loan acts were passed at the extra session of Congress in July and August, 1861. The first act was approved July 17, and the second August 5. By section six of the last mentioned act, the sub-treasury act passed in 1846 was so far suspended as to allow the Secretary of the Treasury "to deposit any of the moneys obtained on any of the loans now authorized by law to the credit of the Treasurer of the United States, in such solvent specie-paying banks as he may select; and the said moneys, so deposited, may be withdrawn from such depositories, for deposit with the regular authorized depositories, *or for the payment of public dues*, or paid in the redemption of the notes authorized to be issued under this act, or the act to which this is supplementary, payable on demand, as may seem expedient to, or be directed by, the Secretary of the Treasury."

The primary object which Mr. Appleton and myself had in view, in preparing this section, was to relax the rigid requirements of the sub-treasury act, in regard to the receipt and disbursement of coin, and instead of paying solely from *coin deposits* in the treasury, to allow all the money obtained on these loans to be deposited in solvent banks; the United States Treasurer to draw his checks directly on such deposit banks in payment of war expenses, which checks would be paid in State bank-notes then redeemable on demand in gold, or, in the ordinary course of business, to a large extent, they would pass through the New York clearing-house, and the clearing-houses of other cities, and be settled and canceled by offset, without drawing large amounts of specie. This mode of payment would have enabled the Secretary more easily to effect such loans, and make his large disbursements, without materially disturbing the coin reserves held by the banks, which were then well protected by these reserves in their vaults. This mode of making the disbursements for the large war expenses was regarded by me at that early period of the war as of vital consequence to the stability of the finances of both Government and people; hence the preparation and adoption of the sixth section of the act of August 5, 1861, giving the Secretary of the Treasury discretionary power to suspend the sub-treasury law in respect to these loans.

After the battle of Bull Run, which occurred on the twenty-first of July, of that year, the necessities of the Government in clothing, arming and feeding troops—in providing munitions of war and building a navy—became so urgent that the banks in New York, Boston and Philadelphia most patriotically came forward and made arrangements in several negotiations with Secretary Chase, to loan to the Government \$150,000,000 under the provisions of the two loan acts passed at the extra session. Of this sum \$105,000,000 was apportioned to the associated banks in the city of New York, payable by installments. The banks were then in good condition, transacting their business on a specie basis, and paid coin for all balances at the clearing-house, and redeemed their circulating notes in coin, and the loan to the Government was made with the expectation that the money would be deposited in the banks, and be checked out under the direction of the Secretary, in pursuance of the sixth section above referred to. The Secretary of the Treasury refused to use the discretionary power conferred upon him by that section, and would not check on the banks for the expenses of the war, so that current bank-notes could be paid or balances settled through the clearing-house, but insisted that the banks should pay the money loaned into the sub-treasury in gold or gold Treasury notes, and from thence it was distributed for war purposes and scattered in different parts of the country. By far the greater part of this loan was paid in gold coin, taken from the reserves of the banks, commencing on the 19th of August, 1861. This unnecessary mode of requiring the payment of the loans so weakened the banks that it brought on a general suspension of specie payments, during the last days of

December, 1861. Notwithstanding the banks commenced making advances to the Government about the 19th of August, 1861, yet none of the securities to be issued by the Government for the loans were turned over to them until the 14th of January, 1862.

The banks having been committed to making the loans, and having made partial advances on account of the same, were obliged to complete the loan notwithstanding the Secretary of the Treasury deemed it incompatible with his views of duty, and the traditions of the sub-treasury law, to use such banks as disbursing agents of the Government, even under the extraordinary exigency under which the loans were made. The call upon the banks for payment into the Government depository of the remaining installments of the loan, either in coin or gold Treasury notes, was persistently urged by the Secretary until the final closing of the transaction on the 3d of February, 1862. This was the first material mistake of the Secretary of the Treasury, and was the first step in the wrong direction, which, combined with other important events, led to the necessity of passing the legal-tender act. The Secretary, in breaking the banks, at the same time broke the sub-treasury, and both were discredited together. Under the policy pursued, the State bank bills, which were local in character and credit, became uncurrent money, and the available gold in the country was wholly inadequate to meet the gigantic expenses of the war. A meeting of bank officers was held at the American Exchange Bank in the city of New York, December 28, 1861. One of the bank presidents, in a well considered speech delivered on that occasion, criticising the course of Secretary Chase in regard to those loans, said that "he (Secretary Chase) was urged to draw directly on the banks. Coin being the basis of credits, it was only in that way the increased financial operations of the Government could be conducted; for it is impossible to maintain the superstructure of credit when the basis is withdrawn, for in destroying the basis the superstructure is also swept away. He refused to draw directly upon the banks for the proceeds of the loan taken by each. We are informed that the act of Congress was passed expressly for the purpose of authorizing him to do so, but he gave it a different interpretation, which may be the correct one, although I do not think so."

The failure of the Secretary to recognize the suspension of the sub-treasury law, fully demonstrates the truthfulness of the remark made by Disraeli, that "upon a perfect knowledge and right appreciation of details the settlement of great questions mainly depends." The Secretary was intent upon having the gold for disbursement, without fully comprehending the effect this large drain was to have upon the banks and the general finances of the country. The suspension of specie payments by the banks and the Treasury of the United States occurred on the 28th of December, 1861, and two days later, on the 30th of the same month, I prepared and introduced the legal-tender act into the House of Representatives. The measure was prominently discussed before the people and in

Congress for more than six weeks. It passed both houses and received the approval of President Lincoln February 25, 1862.

It was a fundamental principle, which I think I fully comprehended when I introduced this act into Congress, that not one dollar of paper money ought ever to be issued by the Government, or by any bank, without at the same time making ample provision for its prompt redemption, on demand. The best redemption, and the best attainable standard of value, is gold coin, and the only admissible standard in time of peace. It was an utter impossibility for our Government at that time to redeem the legal-tender notes in gold, because it could not be had on any terms; it was not in the country in sufficient amount to meet the great emergency; but the Government could redeem (fund) the legal-tender notes in six per cent. twenty years gold bonds. And here I may say, most emphatically, that if these six per cent. bonds could then have been negotiated for any funds available, and in adequate amount, for war expenses, not one dollar of legal-tender notes would have been issued. This could not be done, and the act was framed with the express agreement that the legal-tender notes issued under it should be redeemed in the six per cent. gold bonds. The second section of the act authorized the issue of \$500,000,000 bonds for that purpose. The leading object of the legal-tender act was to create a currency national in character, which could be used for liquidating war expenses, and, to prevent any plethora or redundancy of such currency, provide at the same time for funding it in the six per cent. bonds. The leading object was to *fund* the debt. This provision for funding, also, in a great measure, relieved the act of the apparent injustice of compelling people, by the legal-tender clause, to receive this currency on ordinary debts and invested securities when they could immediately upon its receipt convert it into six per cent. gold bonds at par.

From this brief statement of the inception of the legal-tender act, it will be seen that it was a temporary war measure; that this greenback currency was receivable for internal taxes and all other dues, except customs duties and interest on the funded debt; that a sinking fund was provided of one per cent. each year of the entire debt of the United States after July 1, 1862, and the whole of this temporary currency and all the floating debt of the United States was, by the second section of the act, fundable (redeemable) in six per cent. gold bonds. The title of the act was very expressive: "An act to authorize the issue of United States notes *and for the redemption or funding thereof*, and for funding the floating debt of the United States." The Government could not redeem in gold, but could redeem in bonds issued on its credit. These legal-tender notes were, in substance and effect, certificates of debt given for war expenses redeemable on demand in these bonds. Thus, the fundamental principle that no paper currency should ever be issued, without providing at the same time for its prompt redemption, was provided for in the best mode in which, under the unparalleled emergency, the Government was able to provide for it.



The first legal-tender notes issued under the act bore date March 10, 1862, and had printed on the back of them these words: "This note is a legal tender for all debts, public and private, except duties on imports and interest on the public debt, and is exchangeable for U. S. six per cent. bonds redeemable at the pleasure of the United States, after five years." These notes in the form of greenback currency were immediately issued by Secretary Chase and disbursed for war expenses, and the Treasury of the United States was very soon relieved of the pressing demands that were made upon it. The army and navy were paid, and supplies and materials of war were obtained on these paper promises in sufficient quantity to prosecute the war with vigor.

The first edition of legal-tender notes were by the gigantic war expenses very soon exhausted. On the seventh of June, 1862, Secretary Chase sent an official communication to the Committee on Ways and Means asking for a further issue of \$150,000,000 of legal-tender notes, and that a part of this emission should be in one-dollar notes, the previous emission having all been issued in notes of five dollars and upwards. (Legal-tender History, page 154.) In this communication Mr. Chase urged in favor of small bills, and said "it may further be properly observed that since the United States notes are made a legal tender and maintained at near the par of gold by the provision for their conversion into bonds bearing six per cent. interest payable in coin, it is not easy to see why small notes may not be issued as wisely as large ones." The act for this additional issue of greenback currency was passed and approved by President Lincoln, July 11, 1862. It provided that the notes should be redeemed on demand in the six per cent. gold bonds.

Having thus explained the earliest of the great errors of management by which Mr. Chase made the legal-tender act possible, and the issue of greenbacks almost inevitable, Mr. Spaulding proceeds to expound a later error, which greatly aggravated the mischievous consequences of the first. We began badly, and soon went from bad to worse.

#### THE SECOND ERROR IN OUR FINANCIAL POLICY.

The great mistake—greater than all other mistakes in the management of the war—was the abrogation of the right to fund the greenback currency in gold bonds, as provided for in the two preceding acts. All the other mistakes, civil and military, which occurred during the war were of slight consequence when compared with the mischievous and grave consequences resulting from this one mistake. Taking away from the holder of this paper money the right to have it redeemed on demand in gold bonds, besides being manifestly unjust to the holders, let the Government and the whole country—banks and people—down into the *slough* of an irredeemable paper currency, where we have remained for over eleven years. From 1864 to 1875 it has been a dead weight on the business and industry of the country, without elasticity, and without any provision whatever being made for its redemption or

payment. Its redundancy and consequent depreciation has operated very injuriously to the legitimate business of the country. It was an instrument of expenditure representing the waste of war, and not possessing the essential elements of a commercial currency. A majority of the people, however, have been deluded into the belief that those broken promises, representing the waste of war, were money, and a proper standard of value as a basis for doing business, and have plunged headlong into all sorts of speculations, unprofitable enterprises, extravagance in living, general abuse of credit, idleness, and consequent demoralization.

If the right to fund the greenbacks into the six per cent. gold bonds had not been abrogated, no financier or practical business man, whose opinion is worth quoting, can doubt that we would have gone to specie payment within two or three years after the close of the war, in spite of ourselves. The individual indebtedness at the close of the war in 1865 was small. Everyone was comparatively free from debt. The six per cent. gold bonds were sought for as an investment. They soon appreciated to par in gold, and if the right to fund had been continued, the greenback currency would have appreciated to par in gold along with bonds. The legal-tender act would have served its purpose as a war measure, and we should have returned to the specie standard without material detriment to the legitimate business of the country. In this way we could have avoided a large part of the extravagance and demoralization that has been so reckless since the close of the war.

The \$900,000,000 loan act was passed and approved by the President March 3, 1863. At the urgent request of Secretary Chase a clause was inserted in the act, taking away the absolute right of the holders of greenbacks to fund them into six per cent. gold bonds after July 1, 1863, and leaving it *discretionary* with the Secretary to allow them to be funded or not, as he might deem best for the public interest. Under this discretionary power the Secretary allowed them to be funded up to January 21, 1864. The legal-tender act had worked well, and all of the \$500,000,000 six per cent. bonds authorized by the first act had been taken up at par. The Secretary then decided that he would not allow any more funding in the six per cent. bonds, but would allow the holders of the greenbacks to fund them in a five per cent. bond. This mistake of the Secretary arrested the funding of the greenbacks into bonds, and materially depreciated and lowered the standard of this currency. This attempt of the Secretary to *float* five per cent. bonds made it necessary, in order to meet the enormous war expenses, to issue and keep out large amounts of currency in the form of greenbacks, interest-bearing notes, certificates of indebtedness, fractional currency, and National bank-notes, besides the irredeemable currency issued by State banks. Gold and commodities continued to advance in price. On the fifteenth of January, 1864, gold was \$1.55, on the fifteenth of April, \$1.78, on the fifteenth of June, \$1.97, and on the twenty-ninth of June, \$2.35 to \$2.50, which showed that the legal-tender notes were then only worth

forty cents on the dollar in gold. The next day the thirtieth of June, 1864, Mr. Chase resigned the office of Secretary of the Treasury. At this time the inflating paper issues outstanding were over \$1,100,000,000, and in a few days thereafter gold reached its highest quotation, \$2.85, or, more accurately speaking, greenbacks depreciated until they were only worth in gold thirty-five cents on the *promised* dollar, at the Board of Brokers, in the city of New York.

Mr. Chase commenced his administration of the Treasury in 1861, as a believer in hard money, and a firm advocate of the sub-treasury law, and without much practical knowledge of the credit machinery by which the great financial transactions of the country are carried on. He left the office with twice as much inflating paper outstanding as ought ever to have been issued, and with the *promised* dollar printed on the face of the greenback worth only from 35 to 40 cents in gold.

Hon. Wm. Pitt Fessenden was appointed Secretary of the Treasury in place of Mr. Chase, and entered upon the duties of the office July 5, 1864, and continued in the office performing the duties very acceptably about eight months, and until the second inauguration of President Lincoln, March 4, 1865, when Mr. McCulloch was appointed in his place.

Secretary McCulloch was one of the best practical financiers in the country, and managed the Treasury Department with marked prudence and ability. If Congress had continued to give him proper support, instead of repealing the law for retiring greenbacks, it is my firm belief that he would have conducted us back to the specie standard during the four years of his administration of the Treasury Department, and without materially affecting, in an unfavorable manner, the legitimate business of the country. The controlling majority in Congress was weak and vacillating in its course, and utterly failed to make any provision for redeeming the greenback currency. After the surrender of the rebel armies to General Grant and General Sherman the volunteer army was mustered out of the service, and had to be paid in full. Secretary McCulloch obtained the means to pay them chiefly by the issue of 7.30 Treasury notes. The amount required for that purpose was very large, and the amount of these notes outstanding in October, 1865, was \$830,000,000, which were, by law, expressly fundable within three years into six per cent. gold bonds. The right to fund them was not abrogated, and within three years they were all taken off the market and funded in those bonds. This shows conclusively how Treasury notes may be retired from circulation by an efficient system of funding. The greenbacks would have been funded in the same way, if the original contract for funding them had not been abrogated.

Upon the inauguration of President Grant, on the 4th of March, 1869, Hon. George S. Boutwell was made Secretary of the Treasury, and entered upon the duties of the office March 11. The President, in his inaugural address, expressed himself favorable to a return to specie payments at the earliest practicable

moment, and in his annual message, he said in reference to an irredeemable currency, "It is an evil which I hope will receive your most earnest attention. It is a duty, and one of the highest duties of the Government to secure to the citizen a medium of exchange of fixed and unvarying value. This implies a return to a specie basis, and no substitute for it can be devised. *It should be commenced now.* \* \* I earnestly recommend to you such legislation as will insure a gradual return to specie payments, and put an immediate stop to fluctuations in the value of the currency." The first act of Congress approved by President Grant after his inauguration contained an express promise in these words: "The United States solemnly pledges its faith *to make provision*, at the earliest practicable period, for the redemption of the United States notes in coin." This promise on the part of Congress *to make provision* for the redemption of the greenback currency in gold has been about as badly broken as was the promise made in the first legal-tender act, February 25, 1862, to redeem it in six per cent. gold bonds. It is true that by the acts of Congress the revenues derived from customs duties and internal taxes were ample, in 1869, to pay the annual expenses of the Government and interest on the public debt, and leave a surplus, and consequently an accumulation of gold in the Treasury which would, in due time, have been an ample fund "to redeem the United States notes in coin," in accordance with the above promise.

#### THE THIRD ERROR IN OUR FINANCIAL POLICY.

Here commenced the third mistake on the part of the Treasury Department in the management of the finances. Secretary Boutwell did not regard this surplus as at all necessary to the support of the credit of the greenbacks, or as a reserve by which they could ultimately be redeemed in coin. He therefore proceeded to pay off and take up the bonded debt not yet due for ten to fifteen years, leaving the past due greenbacks (badly broken promises) still in the slough of irredeemable currency, without any provision whatever for their payment. In this way he reduced the public debt, including three per cent. notes, about \$368,000,000 during the four years of his administration, but did not redeem any of the greenbacks, or keep any reserve for that purpose.

He also went further and committed an act which I have always regarded as a violation of the spirit and intent of the original legal-tender act, in procuring new engraved plates to be made, and the printing and paying out of a new emission of legal-tender notes in time of peace, four years after the close of the war, when the public interest did not require, at that time, any such forced loan to be made. The clause in the original legal-tender act in regard to the re-issue of the greenback currency is as follows: "Such United States notes shall be received *the same as coin at their par value* in payment of any loans that may hereafter be sold or negotiated by the Secretary of the Treasury, and may be re-issued from time to time as the *exigences of the public interests* shall require." The only ground on which, by any possi-

bility, the legal-tender notes could be constitutionally issued was that it afforded a means by which the war powers of the Government could be carried into full effect in the prosecution of the war. But four years after the close of the war, it was not constitutional to re-issue them, and it was very clear that no legitimate "public interest" required that this new emission should be re-issued. On the contrary, it was manifestly for the "public interest" that as fast as these notes were returned to the Treasury they should be held there, or canceled, until the balance outstanding were on a par with gold. The forcing into circulation of a new emission of broken promises so long after the close of the war was not only a violation of the Constitution, but was manifestly contrary to the spirit and intent of the legal-tender act as originally passed. Secretary Boutwell's policy of using his surplus revenues to pay off a funded debt not due, instead of redeeming the broken and past due promises, was based on the fallacious idea put forth by him on many occasions, that the country would "grow up" to the situation, and that the greenback currency would ultimately all appreciate to par with gold by the increased population, and the enlarged demands of the business of the country, without making provision for redeeming it.

Hon. William A. Richardson succeeded Mr. Boutwell as Secretary of the Treasury, on the seventeenth day of March, 1873. He was Assistant Secretary under Mr. Boutwell, and upon assuming the duties of Secretary continued the same mistaken policy in regard to the finances which had been carried out by his predecessor. Both of them went so far as to claim that the greenbacks withdrawn from circulation during Mr. McCulloch's administration of the Treasury were still a *reserve*, and that they had a right to re-issue them in case of an emergency. During the great financial panic which occurred in the fall of 1873, and with a view to stop it, Secretary Richardson did actually re-issue and pay out in the purchase of bonds, not due, the sum of \$26,000,000 of greenbacks, which Mr. McCulloch in a recent letter says, "was as powerless to stop the panic as bread pills would be to check the progress of the cholera or yellow fever."

The general policy of both Mr. Boutwell and Mr. Richardson was to pay a debt not due, and leave neglected and unpaid the broken promises of the Government, which had remained unpaid for several years. During their administration of the Treasury the amount of greenbacks outstanding was increased from \$356,000,000 to \$382,000,000. Subsequently Congress, by act of June 20, 1874, fixed that sum as the maximum amount of the greenback currency, "and that no part thereof should be used as a reserve," which effectually cut off the pretense that the previously redeemed greenbacks were a reserve to be used by the Secretary of the Treasury at his discretion; thus leaving the greenback currency \$26,000,000 more in 1874 than it was in 1869, when Mr. Boutwell became Secretary of the Treasury.

If a *tender* of the new emission of greenbacks put out by Secretary Boutwell in 1869-70, should be made on an existing

contract, it is doubtful whether such tender would be valid, because four or five years after the close of the war, there did not exist any public necessity for such a forced loan. The revenues were then ample to pay all expenses and leave a surplus, which, under a mistaken policy, was used to *unfund* the public debt, leaving the overdue debt unpaid.

In 1874, Congress passed an inflation act authorizing a large increase of the greenback currency, and containing other mischievous provisions. This act was submitted to President Grant, and extraordinary efforts made by the inflationists in and out of Congress to have him approve it. He refused to do so, and on the 22d of April vetoed the act in a message to the Senate condemning this measure of inflation in unqualified terms. He says, "the theory, in my belief, is a departure from the true principles of finance, National interest, National obligation to creditors, Congressional promises, party pledges by both political parties, and of the personal views and promises made by me in every annual message sent to Congress, and in each inaugural address." This veto is regarded as one of the most important and useful acts of President Grant's administration. It had an important influence in checking the clamor for more irredeemable currency. Secretary Richardson, after holding the office about fourteen months and a-half, resigned, and on the 4th of June, 1874, Hon. Benjamin H. Bristow was appointed Secretary of the Treasury, and entered upon the duties of the office.

It is generally understood that Secretary Bristow continues his monthly sales of gold (which ought to be husbanded for resumption in 1879), to raise the money to pay the current expenses of the Government, because Congress has failed to provide sufficient means to carry on the Government in any other way. It is also generally understood that Secretary Bristow would not resort to this monthly "make-shift," of keeping these broken legal-tender promises in circulation, if Congress provided the means of administering the Government in the old-fashioned, honest way. Every re-issue of these broken promises, backed by the legal-tender provision, is a *forced loan* in time of peace, and is plainly in violation of the Constitution. These sales of gold at this time, when the act for the resumption of specie payments in 1879, is in full force, is not a good indication for resumption at that time. More revenue will be necessary, and it remains to be seen whether it will be provided to aid in carrying this very important measure into effect. Secretary Bristow is believed to be sound on the main question. In his first annual report in December, 1874, he very clearly sets forth the evils of an irredeemable paper currency.

He is now making preparation to retire the fractional currency and replace it with silver coin, but, without any surplus revenue, he will not be able to accumulate gold in the Treasury, and must rely, at present, on the sale of the five per cent. bonds, authorized by the third section of the resumption act. It remains to be seen whether Congress will have the wisdom and courage to pass any further laws for increasing the revenue, or authorizing

any further preparations for resuming specie payments on the first of January, 1879. Meantime I desire to repeat that if the legal right to fund the greenbacks in the six per cent. gold bonds, in accordance with the original legal-tender act, had not been abrogated, we should have reached specie payments as early as 1868, seven years ago, and without very seriously injuring the legitimate business of the country.

---

## INTERNATIONAL FINANCIAL LAW.

### ENGLISH BANKERS NOT RESPONSIBLE FOR THE WRONG PAYMENT OF DRAFTS.

An American on his first visit to London is surprised to find that he can get a demand draft cashed in any London bank without being identified. A letter on this subject has been sent to us by Messrs. Neher & Calder, Bankers, of Troy. It is written from London by Mr. A. P. Sprague, a young American lawyer, who has recently secured the prize for his essay on international law. The peculiarity in question is of comparatively recent date, and was created by Act of Parliament passed in 1857. Previously the usage was the same as still prevails in this country, where by universal custom the payee of demand drafts has to be identified. The aristocratic customers of the London bankers were unwilling to submit to the supposed humiliation of identifying themselves to a mere clerk. Hence, the act mentioned below was passed to protect bankers in paying "demand drafts to order," without troubling the party presenting them to identify himself. The passage of this English law caused our foreign bankers to draw their sight exchange at three days. For *time-drafts* are beyond the operation of the law, which only applies to drafts on demand to order.\* Subjoined is the letter:

"The question in international financial law which you recently propounded to me is one of great importance, and, as you state, it is desirable that the present condition of that law be understood in America, in view of the large and increasing transactions of a financial character between Americans and Europeans.

\* The effect of this law is stated as follows in Byles on Bills of Exchange, 6th (American) Edition, pp. 47, 48: "The Statute 16 and 17 Vict., ch. 59, sec. 19, introduces a new description of draft on a banker, differing in some respects from a check, and in others from a bill of exchange. The enactment applies to a draft on a banker payable *to order* on demand. The statute enacts that the banker who pays the bearer is not to be responsible for the genuineness of the indorsement, as he would be if it were an ordinary bill of exchange; but, on the other hand, the bearer can not charge the drawer without making title through the first indorsement, as he could on an ordinary check payable to bearer.

"A banker's draft payable to order is now very commonly used for remittances by post or otherwise. No innocent transferee for value can succeed in an action against the drawer, unless he derive title through the payee's indorsement. The drawer is, therefore, in an action against himself on the check, protected by the ordinary consequences of forgery, civil and criminal. While in an action by himself against his own banker for the balance of his account, the banker, when he sets up as an answer the payment of the check, is at all events in no better position than he would have occupied had the check been originally made payable to bearer. Indeed, cases may be imagined in which the forged indorsement may assist the drawer in proving collusion or gross negligence against the banker."

"The case which you stated is one which I have no doubt has occurred in substance more than once. An American banking firm issue a draft to a person in Ireland on a London bank; it gets into wrong hands, is paid to the wrong person by an Irish bank, which forwards it to the London bank, by which it is paid and charged to the account of the American bankers. The London bank claims as follows: 'We are informed by the Irish bank through which it was presented to us for payment that they are unable to trace the person for whom they collected it, and consequently the loss will fall upon the remitter, as, according to our laws, bankers are not responsible for paying drafts upon wrong indorsements.' You say that, if the London bank meant to be understood in the broad sense conveyed in the above quotation, American banks and bankers ought to be promptly advised, and I am sure your anxiety is shared by your associates.

"I must confess that I was at first surprised at the position which the London bank took in the case which you mentioned. But on a critical examination of English law I find that the London bank was substantially correct in its claim, so far as the law in this country is concerned; and as drafts or bills of exchange, payable in this country, although drawn in the United States, are subject to the law of Great Britain, the position of the London bank would of course be recognized in all courts enforcing international rules. By the act of 16 and 17 Vict., c. 59, sec. 19, it is provided as follows:

"Any draft or order drawn upon a banker for a sum of money payable to order, on demand, which shall, when presented for payment, purport to be indorsed by the person to whom the same shall be drawn payable, shall be a sufficient authority to such banker to pay the amount of such draft or order to the bearer thereof; and it shall not be incumbent on such banker to prove that such indorsement, or any subsequent indorsement, was made by or under the direction or authority of the person to whom the said draft or order was or is made payable either by the drawer or any indorser thereof.'

"By the last edition of 'Byles on Bills of Exchange,' the great English work on this subject, I find that by the law of England a banker who pays a draft on himself, payable to order on demand, need not prove the genuineness of the first or any subsequent indorsement. There are other authorities which, although not exactly in point, may not be without interest to American bankers issuing foreign drafts and letters of credit, and which I will here cite:

"If a bill of exchange indorsed generally, and handed over by a person competent to indorse it, is afterward stolen, and the thief delivers it for value to a party who receives it, without notice of the theft, the latter has full authority to negotiate the bill or sue upon it.' (Addison on Contracts, 7 ed. p. 951.)

"A person, therefore, who receives a cheque payable to bearer *bonâ fide* for value, relying on the order of the party making it, is



entitled to recover the amount from him, although the cheque has been lost or stolen.' (Addison on Contracts, 7 ed., p. 969; Watson *agt.* Russell, 3 B. and S., 38 S. C., 31 S., 92 B., 304.)

"In the great case of Raphael *agt.* Bank of England, 17 C. B., 161, decided in 1855, it was held that one who takes a bank note or other negotiable security *bond fide*—that is, giving value for it, and having no notice at the time that the party from whom he takes it has no title—is entitled to recover upon it, even although he may at the time have had the means of knowledge of that fact, of which means he neglected to avail himself.

"It will be seen that the law of negotiable paper payable in England protects English bankers to the utmost extent, and it behooves American bankers to make such arrangements with travelers and others taking letters of credit and drafts on Europe—especially on England—as will throw the risks upon the persons who are thus accommodated. I would not state that the law of England prevails on the Continent; but there is great similarity between the usages of British and Continental bankers.

"But you may be assured that the commercial instruments above mentioned are regarded as on a par with bank-notes and other negotiable securities, and that American bankers must protect themselves through an arrangement such as I have indicated."

It is well that the public attention has been called to this subject. If our bankers would save themselves all risk and anxiety in regard to it, they must avoid drawing "bills to order on demand." For to such bills only does the statute apply. To this fact, as we have said, three days' sight bills on London owe their popularity in this country.

---

## A NATIONAL BANK.

### COMPARATIVE DEPRECIATION OF THE OLD STATE BANK PAPER MONEY AND THE PAPER MONEY OF THE NATIONAL BANKS.

BY ROBERT MORRIS.

*To the Editor\* of the Banker's Magazine:*

I have read with attention the courteous paper of Mr. Bailey, in reply to my proposition to consolidate the capitals of the National Banks in one institution. He takes no cognizance whatever of its essential principle, which is expressed in the locution, *unity* versus *segregation*; but his objections are directed entirely to its experimental character and phenomena.

"In chartering a bank of \$500,000,000 capital," says Mr. Bailey, "we should be entering upon an experiment far surpassing in magnitude any that has ever succeeded." Is that a reason why it should fail? The grandest achievements of human genius have

\* It is scarcely necessary to remind our readers that the BANKER'S MAGAZINE does not espouse the views of all its correspondents, and that the subjoined communication has a place in its pages, not because we indorse it or agree in all points with its writer, but because we wish that both sides of the controversy to which it relates may be intelligently understood and fairly discussed.

been met with the same objection. Columbus should have gone to the bottom of the sea; and our "Great Republic" should now be sleeping in the womb of Time, if this be a valid test of practicability. There is scarcely a single enterprise of unusual "magnitude," which has attained success, that would not have been abandoned in its first stages if a previous example had been regarded as necessary to justify it.

Mr. Bailey's statement of the British banking system is very far from presenting a correct view of its "magnitude," as compared with a bank of 500 million capital. The Bank of England, instead of 70 million dollars, as given by him, has a capital of 88 million, including the surplus profits, or "rest," which is an effective part of it. Besides this, London has 68 joint-stock banks, with an aggregate capital of 525 million dollars, of which is paid up 310 million; also 114 banks and bankers, of which I am not able at present to give the capital. Besides these, there are 811 country banks in England and Wales; 744 banks and branches in Scotland; 334 banks and branches in Ireland; and 588 colonial and foreign banks, with London agents. Here is a successful "magnitude," far greater than that which I have proposed. Again, as I have said in a former essay, we cannot choose what our banking capital shall be. It is already chosen. The 500 million capital is already incorporated. The question for us to deal with is, how shall it be organized? A point suggested by Mr. Bailey, which he makes an objection to a National Bank, viz., that our banking capital will be increased by so much of the separate capitals as may not be joined in the consolidation, is of very great moment. The general ground of our commercial embarrassment, to my apprehension (setting aside the incongruities of organization), is the disproportion of base to the body of credit raised upon it. The superstructure totters and sways from the narrowness of its foundation. Again, if, as we believe, our National commerce is to be enlarged, we shall need that very increase of capital against which Mr. Bailey protests. Now is a critical period of our industrial and commercial history. We are *legislating*, as Mr. Gladstone says, for future ages. Our great rival, England, is manifestly bent on the seizure of the Pacific Ocean, whose shores and islands contain half the population of the globe. As American steamships fall off here and there, for want of capital, the black hulls of England take their place. British merchants stand ready to buy up those which are forced to withdraw from any sea route; and from every quarter of the world comes to our ears the old song, "Britannia rules the waves." Let us go on in our timid, do-nothing policy, leaving everything to tumble along as it can, and we shall wake up one morning and look out in vain for the flag that we saw at "the twilight's last gleaming!" It will have disappeared, and in its place the British "bunting" will flap the breeze.

Mr. Bailey objects to a single National institution, that it is not so well adapted to maintain an effective *reserve*, as a large num-

ber of banks, each one of which will have its own; and with great fairness cites, against himself, the high authority of John Stuart Mill, who says: "By disseminating the responsibility (of keeping a reserve) among a number of banks, it is prevented from operating efficaciously on any." On the other side he quotes Mr. Bagehot, who says that "a main effect (of the one reserve system) is to cause the reserve to be much smaller in proportion to the liabilities than it would otherwise be," etc. In the form that is generally given to the operation of "the reserve," it is much more of a shadow than a reality. The only real security, at last, consists in *the general management of the business*. Without this, no reserve can be maintained. With it, the reserve cannot fail. Nothing is easier than to "figure" a reserve in a bank account; and nothing more common when a bank stands in need of it. Two cases have recently been developed in New York Clearing-House banks, where the full reserve required was represented in the accounts, and daily redemptions maintained up to the very brink of hopeless insolvency.

The greater part of Mr. Bailey's article consists of a recital of the abuses of the earlier management of the Second Bank of the United States, by which its concerns became seriously, though not fatally, embarrassed. The collusion of the President of the Baltimore branch with George Williams, the Government Director, entailed a loss on the institution of three and a-half million dollars. But its affairs were quickly restored under the management of Langdon Cheves, and in 1822 its capital was intact. From that time forward it exerted a wide and beneficial influence over the business of the country, and restrained excessive credits and circulation by the State banks. Notwithstanding all its adversities the balance of good was so greatly in its favor that Congress in 1836 voted to renew its charter; but the veto of the President put an end to its existence as a National institution. Its relation with the State banks were maintained on a friendly footing throughout its career. When it first opened its door for business in 1817, those institutions were indebted to the Government for deposits which they were unable to pay, over nine million dollars. The bank assumed this debt, and made it immediately available to the Treasury. During the whole period of its existence the State banks were largely its debtors—from 1817 to 1835—to the average extent of three million dollars, and after that time of one and a-half million.

But whatever were the abuses and faults of the institution, these can have no bearing on the financial policy of the present day. Banking, like every other kind of administrative management, has undergone changes for the better, of which the security of their notes circulating as money is, perhaps, the most material.

There remains to notice, with a little more particularity, the objection that Mr. Bailey makes to the magnitude of a bank with a capital of 500 million dollars. The ground of the objection is the supposed difficulty of clerical and administrative management.

But the force of it diminishes as the organization of the system advances; and the example of Scotland, which with eleven parent banks, operates 744 branches, reduces it to a simple matter of orderly arrangement. Let the distribution be conceived, generally, on the following plan:

Parent Bank at New York, capital.....	\$100,000,000
Main branch for the Pacific Coast at San Francisco.....	50,000,000
Branches at Philadelphia, Boston, Baltimore, New Orleans, St. Louis, Chicago, Cincinnati; seven branches of 25 mil. each..	175,000,000
Branches of 5 mil. each in ten cities next in grade.....	50,000,000
Branches of $2\frac{1}{2}$ mil. in ten cities.....	25,000,000
Branches of 1 mil. in 50 cities and towns.....	50,000,000
Branches of $\frac{1}{2}$ mil. in 50 towns.....	25,000,000
Branches of $\frac{1}{4}$ mil. in 50 towns.....	12,500,000
Branches of $\frac{1}{8}$ mil. in 100 towns.....	12,500,000
Total.....	\$500,000,000

This would give 278 branches, a much more manageable organization than the present National system with its 2,200 branches, of which a single office at Washington is the regulating head.

The complete separation of Bank and State may be regarded as a foregone conclusion. Nothing but the necessities of our civil war, and the general ignorance of the people of the principles and contingencies of finance, ever could have allowed such a Gorgon as our National Bank system to come to its birth. Independently of every other consideration, its political incongruity with the essential principles of republican institutions ought to effect a speedy change. The man is blind, as a statesman, who does not see this.

So far from my proposition being an "onslaught" on the National Bank system, as is charged by Mr. E. W., it offers to that system the only alternative of infinite embarrassment, loss, and final ruin, by the conversion of its shares from an uncertain tenure, already threatened with indefinite adversity, into a valid property under the harmonious guarantees of the supreme law of the nation, and the allied interests of industry and commerce. There are profound principles of our National life with which powers so capable of abuse, so absolute in their nature, and so tempting to the ambition of the demagogue, as are those connected with the administration of our present financial system, never can be reconciled. Already this system has become a political power in Congress. Through its partisans it opposes every measure brought forward in that body to restore the Constitutional unit of value, and procures exemption from a just proportion of the burden of taxation. But the people are becoming awakened to its corrupting influences. It needs no prophet to foretell the doom that is preparing for it.

Mr. E. W. disputes the accuracy of my statement in a former number of this MAGAZINE, of the value, relatively with gold, of the

old State bank paper money, and that of the National Banks. The depreciation of the former was measured by the local discount to which it was subject in the hands of travelers from one part of the country to another, or in remittance for the payment of debts. The point in issue was, whether these local rates of discount did not constitute essentially a depreciation, less in fact than that which has attached to the National currency during the last ten years; and consequently, whether the claim set up for the latter, of "uniformity in value," was anything more or less than *uniformity of depreciation*. I gave the maximum rate of discount of the old State currencies at three per cent., which Mr. E. W. disputed, declaring that "it was often ten per cent. and upward."

A close examination of the rates of discount on the local currencies for fourteen years gives the following averages, expressed in decimals: 1822, 2.72 p. c.; 1823, 2.40 p. c.; 1824, 2.11 p. c.; 1825, 2 p. c.; 1826, 2 p. c.; 1827, 2.12 p. c.; 1828, 2 p. c.; 1832, 2.54 p. c.; 1833, 3.18 p. c.; 1834, 2.66 p. c.; 1835, 1.92 p. c.; 1836, 1.74 p. c.; 1837, 2.15 p. c.; 1838, 3 p. c. The general average of these years is 2.32 per cent. I have before me the tables referred to by Mr. Bailey, with the quotations for 28 years. I must presume that he did not consult these tables, but took his figures, second hand, from Mr. Gouge (a very untrustworthy source of information concerning banks); otherwise he could not have made the statement that "the discount was sometimes as much as 75 per cent." Out of 924 quotations those extreme figures occur less than half a dozen times, and then have reference to "wild cat" notes issued by the far-off Border States of the South-West, of which the banks were in such poor esteem that their issues were regarded in the Eastern States as little better than counterfeit money. Neither is the statement of Mr. E. W. that "the local discount was often 10 per cent. and upward" sustained. With scarcely an exception, even the rate of ten per cent. could apply only to the same class of bank issues. If the old Suffolk Bank redemptions were consulted, it would probably appear that the quotation of ten per cent. did not in a single instance occur in them, showing that bank-notes of this class had no standing whatever in the current money of the time. I give Mr. E. W. the benefit of every quotation as high as 10 per cent. in the 28 years, from 1814 to 1841, as follows:

There were three years, including 1814 and 1816, in which Boston bank-notes were quoted at a discount in Philadelphia, from par to 25 p. c.; notes of the State of Maine were quoted, from 1822 to 1825, from 2 to 10 p. c.; in no other Eastern State does a quotation of 10 per cent. appear in 28 years, from 1814 to 1841. Western Pennsylvania notes were from 3 to 10 p. c. in 1815, from 4½ to 14 p. c. in 1816, and from par to 30 p. c. in 1818. Delaware and Maryland notes were about the same, from 1816 to 1818. In no other of the Middle States was there a quotation as high as 10 p. c. in the 28 years named. Virginia

notes were from par to  $12\frac{1}{2}$  p. c. in 1814, and from 1818 to 1820. In 1814, 1819, 1820, 1822, 1823, 1828, 1837, and 1838, notes of the Carolinas were from  $2\frac{1}{4}$  to  $12\frac{1}{2}$  p. c., and in one year 17 p. c. Georgia notes, in 1814, 1820, 1832 and 1833, were from 2 to 10 p. c.; in 1823, 2 to 15 p. c., and in 1837 to 1841, from 1 to 40 p. c. In Louisiana the maximum rates were from 10 to  $12\frac{1}{2}$  p. c. in 1837, 1838 and 1840; in Florida the maximum was 20 p. c. in 1831 to 1833; and 75 p. c. in 1841; in Mississippi, from 10 to 30 p. c. in 1825, 1826, 1834, and 80 p. c. in 1840 and 1841; in Alabama, from 10 to 25 p. c. from 1826 to 1831, 1833, 1834, and from 1837 to 1841; in Kentucky (the worst of all) 10 p. c. in 1816, and from 6 to 75 p. c. from 1818 to 1833; in Tennessee, from  $12\frac{1}{2}$  to 35 p. c. in 1818, 1819, 1821, 1822 to 1829 and 1837 to 1841; in Ohio, from 15 to 30 p. c. in 1815 to 1821, and in 1841; in Michigan, 18 p. c. from 1838 to 1841, and 10 p. c. in 1826 and 1827.

I have made this abridgment in mercy to you, Mr. Editor, and your readers, with conscientious care; and have this to observe, that on the same rule that I excluded the "Black Friday" and war rates of the National currency, every quotation above 3 per cent. ought to be excluded from my comparative statement. My theory of a just comparison is, that abnormal influences and circumstances of panic ought to be excluded from both, or admitted in both. Mr. E. W. may take his choice. The rates of the National currency from 1865, when the war closed, were as follows: in 1866, from  $29\frac{1}{2}$  to  $67\frac{3}{4}$  p. c.; in 1867, from 38 to 47 p. c.; in 1868, from 32 to 43 p. c.; in 1869, from 19 to 37 p. c.; in 1870, from 11 to 23 p. c.; in 1871, from 8 to 15 p. c.; in 1872, from 8 to 15 p. c.; in 1873, from 6 to 19 p. c.; in 1874, from 9 to 13 p. c.; and in 1875, about an average of 15 per cent.

With respect to the proportion of bank capital which has gone into liquidation, Mr. E. W. charges me with omitting to state the fact that "of the 166 banks which had ceased business 109 had voluntarily retired from the National system and paid off their obligations—several of them having not even completed their organizations, and others retiring for the purpose of continuing business under the State system. He also fails to state the further fact, that of the remaining 57 closed banks 22 went into liquidation for the purpose of consolidating their capital and business with that of other National Associations, thus leaving but 35 banks that had actually failed. These facts were all before him, yet he stigmatizes the whole number of closed institutions as '*failures*.'"

The reader will be astonished to find every one of these said "omissions" fully and fairly set forth in my essay at the bottom of page 131, in the August number of the MAGAZINE. To retort the charges of unfairness, misrepresentation, want of candor, and so forth, preferred by Mr. E. W. with more freedom than politeness, will not serve any purpose of mine. The essential point that

I made was, that for one cause or another, a certain proportion of capital had been lost to the National system. If one bank failed, and another sold out to consolidate with a rival, both were equally so lost, and the presumption in the latter case is, fairly, that the business was not so successful as to justify its continuance "on that line." By a forced construction of the words *wreck* and *failure*, E. W. makes them synonymous with irreparable ruin, whereas everybody knows that merchandise and life are frequently saved from a shipwreck, and that most of our now wealthiest merchants have passed through the experience of "failures."

I bring this already too long article to a conclusion by brief reference to a presumption put in a negative form, that "Mr. Morris might possibly contend that to-day, under a suspension of specie payments, State bank-notes would be but 3 per cent. below the price of gold." This does not appear to me so extravagant. The uniform policy of the old banks, when forced into suspension, was to contract their liabilities, improve their resources, and push resolutely toward resumption. The policy of the National Banks is diametrically opposite. They not only do not seek to improve their resources to this end, but they manage successfully, so far, to resist all action on the part of Congress to bring about that desirable result. They seem to hold a master position. They have educated the people to believe that the resumption of specie payments would be a calamity. They have completely justified the prophetic warning put forth by the New York Clearing-House in 1863:

"It may justly be feared that these National Banks will come to create a powerful interest throughout the country in favor of a protracted suspension of specie payments, which it would be to their advantage to continue for an indefinite period."

Hence, the stubborn set of depreciation in the National currency. Hence, the growing belief that the day of its redemption in specie and the day of judgment are about equally remote!

The time has not yet come to charge the National Banks with any responsibility for the postponement of the return to specie payments. Nor is it likely, in my view, that it ever will come. The law which constitutes their charter, and determines their positive relations, removes from them the possibility of obtaining the precious metals in sufficient quantity to enable them ever to become specie-paying institutions. The existence of the Independent Treasury, a totally incongruous fact in our financial system, cuts off the commercial circulation of gold at the customs, and converts that article into a commodity. In the next place, Congress has furnished the Secretary of the Treasury with the means of controlling the gold market, and placed the banks in a thoroughly helpless position from which they cannot extricate themselves. I do not see how they are to assume any relation in the financial system to be in accord with the Government when the time comes to redeem the legal-tender notes. They must fall flat and helpless at the feet of the Treasury Department.

## GOLD AND SILVER.

## THEIR PRODUCTION, CONSUMPTION AND AMOUNT IN USE AS COIN.

BY A. W. P.

Gold and silver being used as standards of value, we naturally inquire how much there is of these metals in use in the world, and what is the present rate of increase. We find computations of the present annual production, which is set at about \$185,000,000; of which about 70 per cent. is gold and 30 per cent. is silver.

The BANKER'S MAGAZINE for October, 1868, in making some comments upon the annual report of the Land Office and the special reports of J. Ross Browne and J. W. Taylor, for the same year, has the following introductory remarks:

"Among the most important questions of the day, few are more so than that of the past and present production of gold and silver throughout the world. This subject was as fully investigated by Baron Humboldt as the circumstances of his day would permit. Mr. William Jacob gave close attention to the details, the results of which were given in an octavo volume issued in the year 1831. Since the discovery of gold in California and Australia, the question has assumed increased importance, and has been debated by Mr. Chevalier, Mr. McCulloch, and Mr. Newmarch. The critical investigation by Mr. Newmarch led to the publication of his views in the *Journal of the (London) Statistical Society*. These results were condensed for and published in the BANKER'S MAGAZINE of the years 1862-1868.

"It is well established by these writers that the production of both metals since the days of Columbus to the year 1804 (312 years) was about \$6,192,430,000; 1804 to 1848, \$2,108,256,000; 1848 to 1867, \$2,466,140,000; grand total in 374 years, \$11,766,826,000."

Prof. William P. Blake, Commissioner from the State of California to the Paris Universal Exposition (1867), gives the following estimate:

Year.		
14 to 800,	amount in use .....	\$1,790,000,000
14 to 800,	production .....	.....
800 to 1492,	" .....	345,000,000
1492 to 1803,	" .....	5,320,700,000
1803 to 1848,	" .....	2,484,000,000
1848 to 1868,	" .....	3,571,000,000
Grand total.....		\$14,010,700,000

"This," he says, "is only an approximation, and is exclusive of the production of Asia, except a nominal allowance of \$10,000,000



per annum for the last twenty years, and, with one or two exceptions, is without any allowance for loss in transportation or by wearing."

The difference between these two estimates is mostly accounted for in the difference of periods embraced; the former giving only the production since 1492, and the latter giving, in addition, the supposed amount in use in the year 14, with the production up to 1492. Both these estimates are apparently intended to include the total production, without allowance for wear and loss.

It is evident that the wear and loss of nineteen centuries is an important item in determining the quantity of gold and silver now in use. Economists have not wholly overlooked its importance, but they seem to have given it less attention than the question of production.

Jacob has discussed it and fixed upon a rate of loss from wear, which he has carried into his calculations. But he has not confined his calculations to ascertaining the amount of gold and silver in use. He has endeavored to show the amount of coin in use in Europe and America, or among commercial nations. To do this he has estimated the wear of coins in use, the quantity of precious metals used in the arts, and the quantity sent to Asia. Deducting these three items from the total of production, he obtains the amount of coin in use among commercial nations.

To ascertain the amount of gold and silver in the world, in use for all purposes, it is not necessary to determine the amount used in the arts or the amount sent to Asia, and we may thus avoid two elements of uncertainty in our calculations. Besides, the quantity of coin is variable. It depends upon circumstances frequently changing, while the amount of gold and silver in the world must be the amount taken from the mines less the wear and loss. That which goes to Asia may be to some extent lost to commerce. It is not, however, destroyed. It is, on the contrary, prized as highly and guarded as jealously as if in the possession of commercial nations. It probably goes to a considerable extent into articles of luxury for the rich, and is no more lost, even to commerce, than the same quantity manufactured into plate and jewelry in this country. It may be idle for awhile, and it may, if sufficient inducement be offered, again flow out into the channels of trade. We may well consider it as forming a part of the general stock upon which every nation makes its demand, as its needs or its tastes may dictate.

Jacob's calculation for wear and loss is confined to coins. From certain observations which had been made of the wear of coins by abrasion, he fixed upon a rate for the wear of gold coins, and also a rate for the wear of silver coins. He found that silver coins lost by wear nearly four times as much as gold coins for the same period. He estimated the value of silver coins to be about five times that of gold coins up to the year 1700. The

wear upon both gold and silver coins his computation made about 10 per cent. in 36 years.

From this period up to 1831, the time of his computation, he estimates the value of silver coins at about four times that of gold coins, and he ascertained the average rate of wear on this proportion of the two metals to be about 10 per cent. in 42 years. It has been thought by late writers that this is a large allowance for loss on coins. Dr. Farr, the distinguished English actuary, has made an elaborate calculation of the loss of coins by abrasion in a series of coin annuity tables, in which he sets the annual loss on English sovereigns at 4 in 10,000, or 4-100 of one per cent., and on half-sovereigns at 10 in 10,000, or 1-10 of one per cent. He has not included silver coins in his calculations. But if we adopt the usual rule, and estimate the loss on silver coins at four times that upon gold coins, and make the computation for the proportion of gold and silver supposed by Jacob to be in use, we obtain for gold sovereigns and silver a rate of about 10 per cent. in 71 years, and for gold half-sovereigns and silver a rate of about 10 per cent. in 29 years, or a mean, supposing the gold pieces to circulate in equal quantities, of about 10 per cent. in 50 years.

This rate, it must be borne in mind, is for the loss by abrasion only. There are many other losses to which coins are subject, by fires, by shipwrecks, and by being buried or secreted when all knowledge of them is lost by the sudden death of the person secreting them. Losses of the latter kind occur to a great extent in times of civil commotion and wars, and under governments which are deemed insecure.

We have thus far considered the rate of loss upon coins. We have yet to consider the loss upon the precious metals in other uses. Not more than one-third of the stock of gold and silver is supposed to be coined.

There are many purposes for which the precious metals are used in which the wear is much less than for coins. There are also many uses in which the wear is much greater than for coins. Gold and silver leaf, lace and thread, fluid gilding and plating, present an immense surface for wear in comparison with their value. Gold foil used by dentists is almost entirely lost, and the same may be said of other uses. Small articles of jewelry are lost and never recovered. Watch chains and cases, studs and buttons, are subject to constant wear. There is also a loss in melting and remelting, and in all manufactures of the precious metals.

The rate of loss upon the precious metals used in the arts, from wear, shipwrecks, fires, and other causes, does not appear to have been settled by any of the writers on the subject. Estimates have been made, but only in a general way, by estimating the total loss for certain long periods. It cannot, of course, be determined with a great degree of accuracy. Yet, if we wish to arrive

at some rational conclusion as to the quantity of the precious metals now in use, we must in some way settle upon the amount of wear and loss; and it seems possible to arrive at more accurate results by first fixing upon a rate, and then making a computation accordingly upon the quantity of the metals subject to such wear and loss.

If we adopt some definite rate, and make a systematic computation from it, we may then either increase or diminish the final result, as we may consider the rate too high or too low. By adopting Jacob's rate, it will be generally conceded, I think, that a liberal allowance for loss and wear will have been made.

The following is a computation made according to his rate, 10 per cent. in 36 years, up to the year 1700, and 10 per cent. in 42 years, up to 1848. From this period, as the value of gold in use is supposed to have been at least one-third that of silver, and to have increased so as now to be quite equal to it, the rate is diminished to 10 per cent. in 50 years.

Year 14, amount on hand.....		\$1,790,000,000
Loss on this sum to 806.....		1,620,000,000
806, amount on hand.....		\$170,000,000
806 to 1492, production.....	\$345,000,000	
Loss.....	345,000,000	
1492, amount on hand about.....		\$170,000,000
1492 to 1521, production (\$260,000 per annum)...	\$7,540,000	
1521 to 1546, production (\$3,150,000 per annum).....	78,750,000	
		86,290,000
		\$256,290,000
Loss on above for 54 years*.....		6,290,000
1546, amount on hand about.....		\$250,000,000
1546 to 1600, production (\$11,250,000 per annum).....		607,500,000
		\$857,500,000
Loss on \$250,000,000.....	\$36,250,000	
Loss on 607,500,000.....	44,000,000	
		80,250,000
1600, amount on hand.....		\$777,250,000
1600 to 1700, production (\$16,875,000 per annum).....		1,687,500,000
		\$2,464,750,000
Loss on \$777,250,000.....	\$196,600,000	
Loss on 1,687,500,000.....	213,400,000	
		410,000,000
1700, amount on hand.....		\$2,054,750,000
1700 to 1803, production (\$40,000,000 per annum).....		4,120,000,000
		\$6,174,000,000
Loss on \$2,054,750,000.....	\$465,700,000	
Loss on 4,120,000,000.....		932,500,000
1803,† amount on hand.....		\$5,242,250,000
1803 to 1848, production (\$55,200,000 per annum).....		2,484,000,000
Carried forward.....		\$7,726,250,000

Brought forward.....	\$ 7,726,250,000
Loss on \$5,242,250,000.....	\$ 557,925,000
Loss on 2,484,000,000.....	132,200,000
	<hr/> 690,125,000
1848, amount on hand.....	7,036,125,000
1848 to 1868, production (\$178,550,000 per annum).....	3,571,000,000
	<hr/> \$ 10,607,125,000
Loss on \$7,036,125,000.....	\$ 281,450,000
Loss on 3,571,000,000.....	71,400,000
	<hr/> 352,850,000
1868, amount on hand.....	\$ 10,254,275,000
1868 to 1875, production (\$184,500,000 per annum).....	1,291,500,000
	<hr/> \$ 11,545,775,000
Loss on \$10,254,275,000.....	\$ 143,560,000
Loss on 1,291,500,000.....	9,040,000
	<hr/> 152,600,000
1875, amount on hand.....	\$ 11,393,175,000

\* This is Jacob's computation, but not strictly in accordance with his rule. He computes loss on the new acquisitions only.

† Down to this period Jacob's estimates of production have been used.

## SUMMARY.

## GOLD AND SILVER—PRODUCTION—LOSS AND WEAR.

JACOB'S FIGURES FOR PRODUCTION TO 1803.

<i>Period.</i>	<i>Production.</i>	<i>Loss and Wear.</i>	<i>Amount in use at the close of the period.</i>
Year 14, amount in use..	\$ 1,790,000,000	..	\$ 1,790,000,000
Year 14 to 806.....	.....	.. \$1,620,000,000	.. 170,000,000
806 to 1492.....	345,000,000	.. 345,000,000	.. 170,000,000
1492 to 1546.....	86,290,000	.. 6,290,000	.. 250,000,000
1546 to 1600.....	607,500,000	.. 80,250,000	.. 777,250,000
1600 to 1700.....	1,687,500,000	.. 410,000,000	.. 2,054,750,000
1700 to 1803.....	4,120,000,000	.. 932,500,000	.. 5,242,250,000
1803* to 1848.....	2,484,000,000	.. 690,125,000	.. 7,036,125,000
1848* to 1868.....	3,571,000,000	.. 352,850,000	.. 10,254,275,000
1868* to 1875.....	1,291,500,000	.. 152,600,000	.. 11,393,175,000
	<hr/> \$ 15,982,790,000	.. \$ 4,589,615,000	.. 11,393,175,000

\* Blake's estimate.

This gives us, stated in round numbers, a total production of 16,000 million dollars; total loss and wear, 4,600 million dollars; total now on hand, 11,400 million dollars.

It may be remarked of this summary that Jacob commences from the year A. D. 14, the date of the death of Augustus, with 1,790 million dollars (358 million pounds sterling). From this period down to 806 he makes no allowance for production, but calculates the loss and wear at the rate of 10 per cent. for 36 years. From 806 to 1492 he estimates the production sufficient to cover the current loss and wear.

Prof. Blake thinks it hardly probable that there was no production during this long period. He is inclined to think there was sufficient production to cover the loss.

M. Bernardakis, writing from Athens, Greece, furnishes an article for the June number of the *Journal des Economistes*, Paris, in which he calls attention to the great number of mines opened and worked by the Romans. It seems highly probable that work in many of these mines was continued even after the fall of the Roman Empire. He is of the opinion that the quantity of the precious metals in use at the time of the discovery of America was not less than 1,000 million dollars. If this estimate, which does not appear unreasonable, be taken, it gives us, by the same method of computation, about 500 million dollars more, or a total of about 11,900 million dollars. If, in addition to this change, we take Newmarch's estimate (a very high authority) for the production from 1848 to 1868, which he sets at \$4,902,700,000, we get a total of about \$13,150,000,000. If we consider the rate of allowance for loss and wear too much, we must add to the amount still more.

There would seem to be sufficient reason for setting the amount from 11,400 million dollars to 13,150 millions, the mean being something in excess of \$12,000,000,000, a sum which we may conveniently associate with the population of the world, as it gives about \$10 to each inhabitant.

WASHINGTON, D. C., October, 1875.

---

## UNIFICATION OF LAWS ON BILLS OF EXCHANGE.

The Committee of the Association for the Reform and Codification of the Law of Nations on the assimilation of the laws affecting bills of exchange in the different countries have issued a report, of which the substance is as follows:

They concur in the opinions expressed at the meeting of jurists (*Juristen-Tag*), held in the year 1870, and representing Hungary and the Slavonic Provinces of Austria, and the further meeting held in August, 1872, in Copenhagen, at which all Scandinavia was represented, as also Germany and Austria. Those opinions, as expressed in certain resolutions passed in these meetings, are as follows:

That it is highly desirable that one uniform system of laws, with regard to bills of exchange, should be adopted.

That the example of Germany should be followed, which country assimilated the laws of the different States of Germany, forty in number, after a labor of nearly fourteen years.

The committee beg to express their concurrence in the views thus stated. Upon the several points raised by the questions submitted and herein referred to, the committee have to report as follows:

1. That a uniform expression of opinion has been elicited from jurists, merchants and bankers from all parts of the world, both in the answers given and by correspondence; that it is highly

desirable that an international code for all countries, regulating the laws, practice and customs of bills of exchange, should be established, and in which views your committee concur.

2. That as regards uniformity in the form of a bill of exchange, great diversity of opinion exists; that the German, including the Austrian and Dutch, jurists have pointed out the danger of a statutable (stereotyped) form; they recommend, however, the adoption of the rule that the words "bill of exchange" should appear on the face of the instrument, conformably with article 4 of *Allgemeine Deutsche Wechsel-Ordnung*.

Your committee concur in this view, and do not recommend a given stereotyped form created by statute law, to be established for bills of exchange. They recommend that the distinctions between inland and foreign bills observed in England be abolished; and also that the payee of a bill of exchange may be the drawer himself. That the opinions are opposed as to bills payable to bearer; and that, in view of the diversity of opinions, the committee refrain from expressing any decided view.

3. As regards the stamp or dues payable upon a bill of exchange or promissory note, your committee think that this question is not within the province for juridical discussion; that, however, an international conference, authorized by the different countries, might be held to determine a uniform rate analogous to the recent conferences on postal regulations.

4. The greatest diversity of opinion, it appears, exists between the jurists of different countries in regard to the form of the indorsement of bills of exchange. As a rule all the laws of those countries which have adopted the Code Napoléon forbid blank indorsements, and require that the date, name, and consideration be expressed. The committee, in view of the great difficulties involved in this question, confine themselves to recommending the adoption of indorsements in blank; they suggest, however, agreeing with the Dutch and French answers, that each indorsement should be accompanied by the postal address of the indorser.

5 and 6. The universal opinion appears in favor of abolishing usances and days of grace, in which opinion your committee concur.

7. In regard to the time and mode of presentation for acceptance, the opinions vary greatly. As regards the presentation of a bill drawn at sight, the opinions of all favor the presentation for payment or acceptance within a limited time of three months, if drawn in any of the European States; six months if drawn in other continents.

8. Notice of dishonor is, as a rule, not obligatory by the laws of France, Germany, Sweden, and Russia, while by the law of England and that of the United States notice is necessary. Having regard to the saving of costs, the committee recommend notice of dishonor in lieu of protest, to be followed by legal proceedings within a given period. In making this suggestion they desire to state that they are fully aware that the laws of France, Germany,

Sweden, and, in fact, of all other countries, regard protest as necessary. The practice and mode of giving notice or making protest is a matter essentially local, and is not, it is thought, a subject for discussion.

9. The use of protest is all but universal, and only in the case of inland bills does the law of England permit any exception. The committee hence recommend that protest should be necessary before legal proceedings are commenced; that a scale of charges, varying according to the nominal value of the bill, be adopted.

The German law on bills of exchange, and the Swedish and Austrian laws, comprise schedules of charges, which are based on a very moderate scale. The committee suggest for consideration the following tariff:

For all bills of exchange under £40,  $\frac{1}{4}$  per cent.

For £40, and under £400,  $\frac{3}{8}$  per cent.

For £400, and upward, 1-10th per cent.

10. The rights and remedies of parties to a bill of exchange vary greatly in different countries, and the opinions elicited differ as widely. Your committee abstain for that reason from expressing any definite opinion until these matters have been more fully discussed. They venture, however, to suggest as follows:

(a) That one single action should, following the law of England, be allowed against all the parties liable upon a bill of exchange.

(b) That it shall be obligatory to exercise the right of election against any of the parties to a bill of exchange within one year from date of protest.

(c) That the rules laid down by the law of Belgium, March, 1872, be recommended as a useful basis for a uniform law in this respect.

11. In regard to limitations of actions (prescription) the general opinion appears to be that one uniform period should be adopted. Your committee recommend that three years as against the acceptor and one year as against the other parties be adopted. In making this recommendation they are following the rule of the German, Austrian, and Swedish law.

12. The *Aval*, or floating guarantee, unknown to the law of England, but generally adopted in other countries, is an important, and, for the purpose of British trade, may be a useful accompaniment to a bill of exchange. Your committee think, hence, that this form of security ought to be adopted by the law of England, and that the rule, as laid down in the French *Code de Commerce*, ought to be accepted as the guide in framing an Act of Parliament in regard to this instrument.

13. In regard to lost bills of exchange, the universal opinion appears to be that the right of a *bond fide* holder for value should not in any way be subject to attack; that the holder should only be put to his proof upon evidence of fraud or gross bad faith. Your committee recommend that a uniformity of practice be adopted in case of the loss of a bill of exchange, and they recom-

mend the rules contained in the Belgian law of May, 1872 (Arts. 39 and 48), as a precedent. In regard to letters of credit, circular notes, and their loss through carelessness, and likewise the commission of forgeries on bankers in consequence of such instruments falling into wrong hands, your committee think that the *data* furnished have not been explicit enough to enable them to form any definite opinion.

Other and important questions have been raised by Dr. Dorchardt, by the Swedish, Dutch, and Belgian jurists, in regard to *Vis major*. It appears that the greatest abuse was made of the right to plead *force majeure* during the late French war. Your committee concur with the opinion expressed by the jurists, that the *Vis major* ought only in such cases to be allowed to be pleaded by way of defense where an objective hinderance has arisen, such as floods, or actual state of siege; and that a limit of time even in these cases be fixed by law.

Your committee have also to report that attention has been drawn to the following matters, which have been touched upon in the answers. And, firstly, as to the consideration. By the French *Code de Commerce* and the English law consideration underlies the contract based upon a bill of exchange, while the German law is silent, and treats the question as a matter of estoppel; the bill itself, like a deed, supports the consideration.

Further, the capacity to contract, and in whose favor and to what extent the *beneficium* should be applicable; the distinction between trader and non-trader—all these questions bring forward the more intricate matters which relate to domicile. Your committee, in deference to those who have in their communications made mention of these questions, allude to them; as also to the complicated questions regarding security upon dishonor, intervention, the rights of parties intervening, and their legal position. Other points, such as Solidarité, Cession, overdue bills, and the equities attaching, can only be named, for your committee do not desire to go further than the limits indicated by the questions.

In conclusion, your committee suggest that the Allgemeine Deutsche Wechsel-Ordnung and the German "Novels," and the Belgian law of May, 1872, might be employed with great advantage in formulating a draft act or law (*projet de loi*), and that any points of conflict between the law of England and the recent enactments of these two countries are quite within the scope of practical reform. Your committee refrain from suggesting any definite propositions of reform; they feel that in the present state of inquiry the proper course to pursue is, in the first instance, to consider and to discuss the various points of difference, and, once having determined on these, to constitute an international committee, who would frame a report for the next ensuing conference, embodying a draft outline of an international code for bills of exchange, promissory notes, and other negotiable securities, which range under the head of *lettres de change*.



## THE USURY DECISION OF THE UNITED STATES SUPREME COURT.

*The Farmers and Mechanics' National Bank of Buffalo, Plaintiff in Error, v. Peter C. Dearing. In Error to the Court of Appeals of the State of New York.*

### OPINION OF THE COURT.

SWAYNE, J.—The question presented for our determination involves the construction of the provisions of the National Bank Act of Congress of the 3d of June, 1864 (13 Stat. at Large 99, U. S. Rev. § 5,197), upon the subject of the interest to be taken by the institutions organized under that act.

The plaintiff in error is one of those institutions. The 30th section of the act declares "that every association may take, receive, reserve, and charge on any loan or discount made, or upon any note, bill of exchange, or other evidence of debt, interest at the rate allowed by the laws of the State or Territory where the bank is located, and no more, except that where by the laws of any State a different rate is limited for banks of issue organized under State laws, the rates so limited shall be allowed for associations organized in any such State under this act. And when no rate is fixed by the laws of the State or Territory the bank may take, receive, or charge a rate not exceeding seven per centum, and such interest may be taken in advance, reckoning the days for which the note, bill, or other evidence of debt has to run. And the knowingly taking, receiving, reserving, or charging a rate of interest *greater than aforesaid*, shall be held and adjudged a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon. And in case a greater rate of interest has been paid, the person or persons paying the same, or their legal representatives, may recover back, in any action of debt, twice the amount of interest thus paid from the association taking or receiving the same; Provided, That such action is begun within two years from the time the usurious transaction occurred. But the purchase, discount, or sale of a *bona fide* bill of exchange, payable at another place than the place of such purchase, discount, or sale, at not more than the current rate of exchange for sight drafts, in addition to the interest, shall not be considered as taking or receiving a greater rate of interest."

The facts of the case are few and simple. On the 2d of September, 1874, it was agreed between the parties that Dearing should make his promissory notes to one Deitman for \$2,000, payable one month from date, and that the bank should discount the note for Dearing at the rate of interest of ten per cent. per annum. This agreement was carried out. The bank received the

note, and paid to Dearing the sum of \$1,981.67. The discount reserved and taken was \$18.33. The rate of interest which the bank was legally authorized to take was seven per cent. per annum. The excess received over that rate was \$5.50. Dearing failed to pay the note at maturity. The bank thereupon sued him in the Superior Court of Buffalo. He answered that the agreement touching the discount was usurious, corrupt and illegal; that it voided the note; and that he was in no wise liable to the plaintiff. The Court sustained this defense, and gave judgment for the defendant. The decision was approved by the higher Courts.

The several provisions of the section to be considered are as follows:

1. The rate of interest chargeable by each bank is to be that allowed by the law of the State or Territory where the bank is situated.

2. When by the laws of the State or Territory a different rate is limited for banks of issue organized under the local laws, the rate so limited is allowed for the National Banks.

3. Where no rate of interest is fixed by the laws of the State or Territory the National Banks may charge at a rate not exceeding seven per cent. per annum.

4. Such interest may be reserved or taken in advance.

5. Knowingly reserving, receiving, or charging "a rate of interest *greater than aforesaid* shall be held and adjudged a forfeiture of the interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon."

6. If a greater rate has been paid, twice the amount so paid may be recovered back, provided suit be brought within two years from the time the usurious transaction occurred.

7. The purchase, discount or sale of a bill of exchange, payable at another place, at not more than the current rate of exchange on sight drafts, in addition to the interest, shall not be considered as taking or receiving a greater rate of interest than that permitted.

These clauses, examined by their own light, seem to us too clear to admit of doubt. But it is contended that the phrase "a rate of interest greater than aforesaid," as it stands in the context, has reference only to the preceding sentence, which relates to banks where no rate of interest is fixed by law, and that hence it leaves the consequences of usury, where such rate is fixed, to be governed wholly by the local law upon the subject.

This, in the State of New York, would in all such cases render the contract a nullity, and forfeit the debt. Such the Court of Appeals held to be the law of this case, and adjudged accordingly.

Neither of these views can be maintained. The collocation of the terms in question does not grammatically require such a construction. Viewed in this light, the phrase is as much applicable to both the foregoing clauses as to the next preceding one. The point to be sought is the intent of the law-making power. The offense of usury under this section is as great where the local law does not as where it does define the rate of interest. The same

considerations apply in both cases. Why should Congress punish in one class of cases, and, so far as its action is concerned, exempt in the other? Why such discrimination? The result would be that in Pennsylvania, where the contract would be void only as to the unlawful excess, the bank would lose nothing but such excess, while in New York, under a contract precisely the same, except as to the identity of the lender, the entire debt would be lost to the bank.

The second proposition—that the State law, including its penalties, would apply if the first proposition be sound—is equally untenable. If the construction contended for were correct, the State law would have no bearing whatever upon the case. The constitutionality of the Act of 1864 is not questioned. It rests on the same principle as the act creating the second bank of the United States. The reasoning of Secretary Hamilton, and of this Court in *McCulloch agt. Maryland* (4 Wheat., 316), and *Osborne agt. the Bank of the United States* (9 Wheat., 708), therefore applies. The National Banks organized under the act are instruments designed to be used to aid the Government in the administration of an important branch of the public service. They are means appropriate to that end. Of the degree of the necessity which existed for creating them Congress is the sole judge.

Being such means, brought into existence for this purpose and intended to be so employed, the States can exercise no control over them, nor in any wise affect their operation, except in so far as Congress may see proper to permit.

The power to create carries with it the power to preserve. The latter is a corollary from the former.

The principle announced is indispensable to the efficiency, the independence, and indeed to the beneficial existence of the General Government. Otherwise it would be liable, in the discharge of its most important trusts, to be annoyed and thwarted by the will or caprice of every State in the Union.

The powers of government may be divided into four classes: those which belong exclusively to the States; those which belong exclusively to the National Government; those which may be exercised concurrently and independently by both; those which may be exercised by the States, but only with the consent, express or implied, of Congress.

Whenever the will of the nation intervenes exclusively in this class of cases, the authority of the State retires and lies in abeyance until a proper occasion for its exercise shall recur.

In any view that can be taken of the thirtieth section, the power to *supplement* it by State legislation is conferred neither expressly nor by implication. There was reason why the rate of interest should be governed by the law of the State where the bank is situated, but there is none why usury should be visited by the forfeiture of the entire debt in one State and with no penal consequence whatever in another. This, we think, would be unreasonable, and contrary to the manifest intent of Congress.

Where a statute prescribes a rate of interest, and simply forbids the taking of more, and more is contracted for, the contract is good for what might be lawfully taken, and void only as to excess. Forfeitures are not favored in the law. Courts always incline against them. When either of two constructions can be given to a statute, and one of them involves a forfeiture, the other is to be preferred.

Where a statute creates a new offense, and denounces the penalty, or gives a new right and declares the remedy, the punishment or the remedy can be only that which the statute prescribes.

The thirtieth section is remedial as well as penal, and is to be liberally construed to effect the object which Congress had in view in enacting it. *Gray v. Bennett*, 3 Metc. 539. In the Act of 1864 the forfeiture of the debt is omitted, and there is substituted for it the forfeiture of the interest stipulated for, if it had only been reserved, and the recovery of twice the amount when the interest has been actually paid.

In the Revised Statutes of the United States of the 22d of June, 1874, 1,011, the provisions of the thirtieth section of the Act of 1864 are divided into two sections, and the language is so changed as to render impossible in that case the same construction as that of the thirtieth section, contended for by the counsel of the defendant in error in this case.

In the "Act to amend the Usury Laws of the District of Columbia," of the 22d of April, 1870 (16 stat. 191), it is provided that six per cent. per annum shall be the lawful rate of interest, but that parties may contract for ten per cent. It is declared in the last section that this act shall not affect the Banking Act of 1864. This latter legislation shows the spirit by which Congress was animated in passing the thirtieth section of the Act here under consideration.

This section has been elaborately considered by the highest Court of Massachusetts, of Pennsylvania, of Ohio, and of Indiana. *Davis, Receiver, agt. Randall*, 115 Mass., 547; *Central National Bank agt. Pratt, Id.*, 539; *Second National Bank of Erie agt. Brown*, 72 Penn. Rep., 209; *First National Bank of Columbus agt. Garlinghouse*, 22 Ohio St. Rep., 492; *Wiley agt. Starbuck*, 44 Black's Rep., 198. In all these cases views were expressed in conflict with those maintained in the *First National Bank of Whitehall agt. Lamb et al.*, 50 New York Rep., 100. This adjudication controlled the result of the litigations between these parties.

Upon reason and authority we have no hesitation in coming to the conclusion that there is error in the case before us. The plaintiff below was entitled to recover the principal of the note sued upon, less the amount of the interest unlawfully reserved.

Whether he was entitled to recover interest upon the amount of the principal so reduced, after the maturity of the note, is a point which has not been argued, and upon which *we express no opinion*.

The judgment of the Court of Appeals is reversed, and the case will be remanded, with directions to proceed in conformity with this opinion.

## THE BANKERS AND BANK CLERKS' MUTUAL BENEFIT ASSOCIATION OF THE CITY OF PITTSBURGH.

The second annual meeting of this association was held on Monday evening, October 25, 1875, in the Exposition Building; President W. N. Riddle, of the Penn Bank, in the chair, and L. Halsey Williams officiating as secretary. It is reported to have been the largest as well as the most interesting meeting of bankers ever held in Pittsburgh. The annual reports of the Board of Directors, the Secretary, and the Treasurer, were read. We publish these in full, and are glad to place them on record.

One of the features of the evening was the delivery of a carefully prepared address by John Harper, Esq., President of the Bank of Pittsburgh. Short speeches were also made by Messrs. Robert Arthurs, President of the Fifth National Bank; W. H. Denniston, President of the Liberty Improvement Bank; W. J. Alexander, of Monongahela City, and Hon. William McClelland. Nearly every bank in the city was represented at the meeting, and the interest manifested was of such a character as to augur well for the future prosperity of the Association.

The prosperity of these associations ought to interest deeply every bank officer and banker. They should be supported and encouraged in all our cities, and their influence should be felt, not only in the important duty of provision for the time of pecuniary need, but also in upholding a high standard of character and in stimulating the growth of mental improvement among the members of each.

### DIRECTORS' REPORT.

The Board of Management respectfully present their second annual report, showing the transactions of the Association during the past year. We cannot say your interests have been advanced rapidly, or that there is any marked success within the year; yet we can safely report that, however slow the progress has been, it has been in the right direction, with a tendency upward and forward, adding slowly to the list of membership, steadily increasing the fund, and, above all, having the utmost peace and harmony prevailing throughout the Association.

The Secretary's report will show a membership of one hundred and four. After losing one member by resignation, and several being dropped from the rolls for non-payment of dues, there is an increase of twenty-two active members since our last report. There have also been added to the honorary membership list: Robert Arthurs, Esq., President Fifth National Bank; Dr. T. H. Allison, President Allegheny Valley Bank, Kittanning, Pa.; J. B. Finley, Esq., Cashier People's Savings Bank, and Jos. A. Herron, Esq.,

of Alexander & Co., both of Monongahela City, Pa.; making a total of seven honorary members.

The Treasurer's report will show: Balance of cash on hand, \$1,529.98; a gain of over 100 per cent. to the fund during the year. The expenses, outside the necessary printing and stationery, are simply nothing, and it is hoped the interest received the coming year, from the account on deposit, will pay all expenses.

The permanent fund, constituted from donations and dues from honorary members, has never been separated from the regular account, so the Trustees have never been called upon to perform their duty in this regard. Several of these Trustees have expressed a willingness to act when called upon, and when the fund has accumulated they will be requested to invest these funds as prescribed in the by-laws.

Our Association should be thankful that in the two years of its existence there has not been the loss of a single member by death; in the past year, so far as we are aware, only three have been seriously ill, and at this time we are not informed of a single one being out of employment.

Since organizing, there have been nine meetings of the Board and seven of the Association. These meetings have not been largely attended, but it is gratifying to state that only twice have we failed to have a quorum sufficient to transact the regular business. The attendance is small, partially because a number of the members live out of the city, and the meetings usually being held in the evening, many are unable to attend. It is at all times desirable that there should be a full attendance, whether at meetings of the Board or of the Association; and, while recommending that you select those for your in-coming Board who will give their time and attention to the meetings, and who will do most to advance the best interests of the Society, would also suggest when there are Directors to elect, that you nominate, say nine or twelve, and elect from these. In this manner, all who desire to serve as Directors can do so in their turn. In the line of suggestions, it has also been recommended that the proper officers keep a book wherein a list may be had of all members out of situations; and for such each should use their influence as individuals, and the officers of the Association collectively should do all in their power in a like direction. It would seem well, also, that some provision be made whereby members who fall in arrears by being out of employment should not suffer the penalty of being dropped from the list. It seems a hard thing that deserving ones in prosperity should receive such harsh treatment in their adversity, and because of their unfortunate circumstances are not able to pay, even if they had a desire to do so. Perhaps some plan can be studied out by which this can be remedied. Either by setting apart some part of our fund, or donating by private subscription, an amount for this purpose. As an Association we have never asked for donations from bankers or individuals outside our own members, but all other like societies in other cities have asked and received,

in some places very large, donations, and we see no reason why we should not ask for assistance from banks, when we would, no doubt, meet with a degree of success.

At the close of this year, we desire to acknowledge our indebtedness for favors received from officers of the Custom House and Fifth National Bank, for use of rooms for meetings; to S. Reed Johnston & Co., for donation of printing; to the Press of the city, for publishing our proceedings free of charge, and especially to the officers of the Tradesmen's Industrial Institute, for free admission to the Exposition Building, and use of rooms for our entire Association, for its annual meeting.

Having thus briefly given the outline of our proceedings during these years of depression in business, particularly in financial matters, and at a time discouraging to all charitable undertakings, we can but be satisfied with the gratification of knowing we have established a permanent Society as the result of our labors; one that has for its basis sociability, charity, and the mingling together for good, the employer and the employed of our banking institutions, for a common good and for one common interest. An Association which we hope in the near future will grow to an extensive one, receiving and meriting the respect of all bankers and the entire community, having for its highest commendation the work it has done.

Respectfully submitted on behalf of the Board.

W. N. RIDDLE, *President*.

#### SECRETARY'S REPORT.

Number of members at last report.....	82
Added during the year.....	29
	— III
Resigned.....	1
Dropped from list for non-payment of dues.....	6
	— 7
Present number of active members.....	104
Honorary members last report.....	3
Added during 1875.....	4
	—
Honorary members at this date.....	7

OCTOBER 23, 1875.

L. HALSEY WILLIAMS, *Secretary*.

#### TREASURER'S REPORT.

Dr.		Cr.	
Balance on hand per last report	\$ 703 49	Expenses paid	\$118 88
Received initiation fees.....	175 00	Balance in hands of Treasurer	1,529 98
“ dues.....	614 50		
“ honorary members..	125 00	Total.....	\$1,648 86
“ interest.....	30 87		
Total.....	\$1,648 86		

PITTSBURGH, OCT. 1, 1875.

O C. CAMP, *Treasurer*.

## OFFICIAL CIRCULARS OF TREASURY DEPARTMENT.

*No Tax on Private Firms Who Circulate Notes Issued by Municipal Corporations.*

TREASURY DEPARTMENT, OFFICE OF INTERNAL REVENUE, }  
WASHINGTON, August 14, 1875. }

*L. H. Mayer, Esq., Collector First District Mobile, Ala.:*

SIR: As to the question of requiring returns for the ten per cent. tax from persons or firms in Mobile who receive and pay out circulating notes issued by that city, in reference to which I have heretofore written to you, I have to say that I have carefully re-examined the statutes bearing upon the question, as well sections 19 and 20 of the Act of February 8, 1875, as sections 3412 and 3413 of the Revised Statutes.

It is clear that the provisions of the Act of February 8 do not repeal any provisions of the Revised Statutes not inconsistent therewith, and that the provisions of the Revised Statutes and those of the Act of February 8, on this subject, are *in pari materia*, and must therefore, if possible, be so construed as that all may stand.

Section 19 of the Act of February 8 provides "That every person, firm, association other than National Bank Associations, and every corporation, State bank, or State banking association, shall pay a tax of ten per centum on the amount of their own notes used for circulation and paid out by them." This does not repeal anything in section 3412 of the Revised Statutes, but is in addition thereto. It relates exclusively to the taxation of the parties therein specified for issues of *their own* circulating notes, while section 3412 makes no express mention of such taxation. Said section 19 also specifies "persons, firms," etc., which are not, *eo nomine*, mentioned in section 3412.

Section 20 of the Act of February 8 provides "That every such person, firm, association, corporation, State bank, or State banking association, and also every National banking association, shall pay a like tax of ten per centum on the amount of notes of any person, firm, association other than a National banking association, or of any corporation, State bank, or State banking association, or of any town, city, or municipal corporation, used for circulation and paid out by them."

It is claimed that the word "such" before the words "person, firm," etc., was designed to limit the class of persons, firms, associations and corporations taxed by section 20, to such as *issue notes of their own*, and are therefore taxable under the preceding section; that to carry out the purpose of Congress, section 20 is to be read as follows: That *every such* person, firm, association or corporation (that is, such as are taxable under the preceding section upon their own issue of circulating notes), and *every* State bank, or State banking association, shall pay, etc.

It may be urged, on the other hand, that such an interpretation would be in violation of grammatical rules; that the word "such" bears the same relation to the words "State bank" and "State banking association" as to the preceding words, although it neither is nor can be claimed to have been the design of Congress to make the suggested limitation in regard to State banks or State banking associations; and that to carry out the intention of Congress, the word "such" must be regarded as surplusage, not being *descriptio personae* of the classes intended to be taxed.

In view of the fact that the leading purpose of Congress in imposing this heavy tax was to discourage the use of all paper currency except that issued by National banking associations and that issued by the Government itself, it seems quite probable that the interpretation which requires a tax of every person, firm, etc., that pays out the currency in question, is the correct one. It is, however, open to doubt, and I am disposed to give the tax-payers the benefit of that doubt.



It is accordingly held that a tax of ten per cent. need not be required of any person, firm, association or corporation not engaged in the business of banking, unless such person, firm, association or corporation issues or pays out notes of its own used for circulation; but that the tax should be required of every National banking association, State bank, State banking association or banker, upon the amount of notes (including its own) of any person, firm, association other than a National banking association, or of any corporation. State bank or State banking association, or of any town, city or municipal corporation, used for circulation and paid out by it; and that a like tax should be required by every person, firm, association or corporation whatsoever which issues and pays out its "notes for circulation."

Respectfully yours,

D. D. PRATT, *Commissioner.*

*Instructions Relative to the Indorsement and Payment of Drafts of the Treasury and Post Office Departments.*

TREASURY OF THE UNITED STATES, }  
WASHINGTON, D. C., October 22, 1875. }

Treasury or Post Office drafts must not be paid until the indorsement conform to the following regulations:

1. The name of the payee, as indorsed, must correspond in spelling with that on the face of the draft; no guarantee of an indorsement, imperfect in itself, can be accepted. If the name of a payee as written on the face of a draft is spelled incorrectly, the draft should be returned to the Treasury U. S. for correction.
2. Indorsements by mark (X) must be certified by two witnesses.
3. Indorsements by executors or administrators must be accompanied by certified copies, under seal, of letters testamentary or letters of administration, as the case may be.
4. Payees and indorseees must indorse by their own hands; officials, officially with full title; firms, the usual firm signature by a member of the firm, not by a clerk or other person for the firm.
5. Every indorsement must be by the proper written (not printed) signature of the person whose indorsement is required.
6. Powers of attorney for the indorsement of drafts in payment of claims must be dated *subsequently* to the drafts, must be witnessed by *two* persons, and must be acknowledged by the constituent before the Treasurer of the United States or an Assistant Treasurer; a Judge or Clerk of a District Court of the United States; a Collector of Customs; a Notary Public, under his seal; or a Justice of the Peace or Commissioner of Deeds; if before either of the two latter, the certificate and seal of the County Clerk as to the official character and signature of the Justice or Commissioner is required. If executed in a foreign country, the acknowledgment must be made before a Notary Public, with his seal attached, or a U. S. Consul or Minister. The official taking the acknowledgment must certify that the said letter of Attorney was read and fully explained to the said constituent at the time of acknowledgment.—(See section 3477 Revised Statutes.)
7. Evidence of authority to indorse for incorporated or unincorporated companies must accompany drafts drawn or indorsed to the order of such companies or associations. Such evidence should be in the form of an extract from the by-laws or records of the company or association, showing the authority of the officer to indorse, receive moneys, etc., for the company, and giving his name and the date of his election or appointment, which extract should be certified to by the secretary or president of the company, and its seal be affixed. If the company has no seal, the extract should be certified as correct by a notary public, or other competent officer, under his seal. Approved, October 22, 1875.

WM. HEMPHILL JONES, *Acting Comptroller.*

CHAS. F. CONANT,

*Acting Secretary of the Treasury.*

JNO. C. NEW, *Treasurer U. S.*

Approved:

## PUBLIC DEBT OF THE UNITED STATES.

*Recapitulation of the Official Statements (cents omitted).*

## DEBT BEARING INTEREST IN COIN.

	October 1, 1875.		November 1, 1875.
Bonds at six per cent. ....	\$1,070,649,100	..	\$1,043,292,550
Bonds at five per cent. ....	632,782,750	..	657,282,750
	<u>\$1,703,431,850</u>	..	<u>\$1,700,575,300</u>

## DEBT BEARING INTEREST IN LAWFUL MONEY.

Navy pension fund at 3 per cent. ....	14,000,000	..	\$14,000,000
Debt on which interest has ceased. ....	20,913,950	..	22,865,180

## DEBT BEARING NO INTEREST.

Old demand and legal-tender notes .....	\$374,010,956	..	\$373,305,951
Certificates of deposit .....	60,660,000	..	50,880,000
Fractional currency .....	40,783,575	..	40,681,629
Coin certificates .....	11,645,200	..	15,645,100
	<u>\$487,099,732</u>	..	<u>\$480,512,681</u>
Total debt .....	\$2,225,445,532	..	\$2,217,953,161
Interest .....	30,304,364	..	34,844,160
TOTAL DEBT, principal and interest. ....	<u>\$2,255,749,896</u>	..	<u>\$2,252,797,322</u>

## CASH IN THE TREASURY.

Coin .....	\$67,833,316	..	\$73,783,439
Currency .....	4,790,352	..	9,736,671
Special deposit held for redemption of certificates of deposit, as provided by law..	60,660,000	..	50,880,000
	<u>\$133,283,669</u>	..	<u>\$134,400,110</u>
Debt, less cash in the Treasury, Oct. 1, '75	\$2,122,466,227	..	.....
Debt, less cash " " Nov. 1, '75	.....	..	<u>\$2,118,397,211</u>
Decrease of debt during the past month..	\$3,342,562	..	\$4,069,015
Decrease of debt since June 30, 1875....	6,222,499	..	10,291,514

## BONDS ISSUED TO THE PACIFIC RAILWAY COMPANIES, INTEREST PAYABLE IN LAWFUL MONEY.

Principal outstanding .....	\$64,623,512	..	\$64,623,512
Interest accrued and not yet paid .....	909,352	..	1,292,470
Interest paid by the United States .....	28,202,807	..	28,202,807
Interest repaid by transportation of mails, &c.	6,396,524	..	6,422,701
	<u>\$21,806,283</u>	..	<u>\$21,780,106</u>

## THE PROCESS OF PARTING GOLD AND SILVER.

The report of the Melter and Refiner of the United States Assay Office in this city, gives the following description of this operation:

The bullion is granulated, after being mixed in such proportion that the gold and copper shall not exceed one-third and one-twelfth respectively of its entire weight. About 200 pounds of these granulations, with 150 pounds sulphuric acid, are placed in each of the large kettles in the separating room, and about 200 pounds acid added gradually, during say three hours' boiling, when the resulting solution is run off by a siphon into one of the reducing vats on the floor below.

Another charge of about 150 pounds acid is added to each kettle and heated about one and a-half hours, when it is also run off. The fire having been withdrawn, a third charge of acid is added, and the gold is taken out with perforated iron ladles, and put in four of the small kettles. In these it is heated in three successive charges of acid (about six hours), which are poured off into a large kettle in the inclosure, connected by a flue with the stack; and the gold is emptied into the washing-tub, where it is treated with one charge of cold and two of warm water. These are poured into the washing-jar, from which, on settling, the solution is run into the large tank on the floor below. The gold is emptied into one of the filters, thoroughly washed (sweetened) with warm water, and drained. It is boiled again (about four hours) in two charges of acid, washed and drained. This process is repeated, when the gold is pressed into cakes in the hydraulic press, which are dried in the oven, melted in plumbago crucibles, and cast into bars of from 997½ to 998½ thousandths fine. The weak solution poured off the gold in the smaller kettles, with the third charge in the larger ones, is all used again as a portion of the first charge of acid for fresh granulations.

When silver containing little or no gold is operated on, about 160 pounds of granulations are dissolved in one kettle, but one charge (about 400 pounds) of acid being required during four hours' boiling. With baser metal the quantity operated on is reduced, copper requiring much more acid for its solution than silver.

In the silver-reducing vats, ingots or bars of copper and scrap copper are placed on the bottom and around their sides next the heating coils. Sufficient water (with the weak solution obtained in washing the gold) is run into them to reduce the strength of the solution from the boiling kettles to 15° to 25° Baumé, which facilitates the reduction of the silver, for which about four hours' boiling is necessary. The resulting copper solution is run off through a filter into a concentrating vat. The silver remaining on the copper bars is scraped off, and the whole of it is taken out (copper hoes and shovels being used) and put in a filter. The small pieces of copper are taken out by riddling. About two hours' washing with hot water sweetens it, and it is drained, pressed into cakes, dried, melted, and fluxed with nitrate of soda. It is then cast into bars of a fineness from 999 to 1,000 M.

The solution of copper (sulphate) is strengthened by boiling about ten hours to about 40° Baumé, and is run off into the crystallizing vats. In from two to three days the mother liquor is run off into the large tank on the floor below, from whence it is run off into the carboys or tanks of its purchasers. The crystals of blue vitriol (sulphate of copper) are taken from the sides and bottom of the vats, drained, and subsequently redissolved in water, and run off, at a strength of 35° to 37° Baumé, into the crystallizing vats again. The mother liquor from this second crystallization is put back into the concentrating vat. The crystals are dried, barreled, and sold.

If lead is present to any extent in the bullion, it is removed by cupellation before the metal is granulated.

The consumption of copper in reducing the silver is greatly economized by melting silver deposits free from gold, and under, say, 400 M. fine, with the copper used for that purpose, the silver in them being obtained pure without a direct parting, and the copper alloy taking the place of that amount of the purchased metal that would otherwise be used.

## BANKING AND FINANCIAL ITEMS.

THE BANKER'S ALMANAC AND REGISTER for 1876 is now in course of preparation, and will be issued about the end of December. Bank officers and Bankers are requested to advise this office *immediately* of any changes not already reported.

Orders for the **Cards** of Banks and Bankers, to be inserted in the ALMANAC, will be received up to December 5th. Terms, \$25 per quarter page.

THE CALLS OF 5-20 BONDS.—The Secretary of the Treasury issued on November 1st, the twenty-ninth call, being for \$10,000,000 bonds of the Act of June 30, 1864, interest to cease February 1, 1876. Numbers as follows, all inclusive :

<i>Coupon Bonds, \$5,000,000.</i>		<i>Registered Bonds, \$5,000,000.</i>	
	....	\$50, No. 151 to No. 370	
\$50, No. 3,701 to No. 4,300	....	\$100, No. 1,001 to No. 2,400	
\$100, No. 12,001 to No. 17,200	....	\$500, No. 751 to No. 1,600	
\$500, No. 18,001 to No. 22,000	....	\$1,000, No. 4,901 to No. 8,350	
\$1,000, No. 68,001 to No. 84,400	....	\$5,000, No. 2,101 to No. 3,165	
	....	\$10,000, No. 4,601 to No. 6,900	

On November 15th, the Secretary issued two calls, comprising all the five-  
twenty bonds necessary to complete the exchange for the final subscription to  
the five per cent. loan. This loan is now brought up to the limit fixed by  
law, five hundred millions of dollars. The thirtieth call is for \$12,785,000 on  
account of the syndicate. The thirty-first is for \$5,000,000 for the sinking  
fund. The principal and interest will be paid on the 15th of February, 1876,  
on and after which day interest on the same will cease.

Thirtieth call, Act of June 30, 1864 :

<i>Coupon Bonds, \$7,440,000.</i>		<i>Registered Bonds, \$5,345,000.</i>	
	....	\$50, No. 371 to No. 525	
\$50, No. 4,301 to No. 5,752	....	\$100, No. 2,401 to No. 3,550	
\$100, No. 17,201 to No. 27,047	....	\$500, No. 1,601 to No. 2,150	
\$500, No. 22,001 to No. 26,500	....	\$1,000, No. 8,351 to No. 10,968	
\$1,000, No. 84,401 to No. 99,288	....	\$5,000, No. 3,166 to No. 3,824	
	....	\$10,000, No. 6,901 to No. 10,150	

The thirty-first call of \$5,000,000 for the sinking fund comprises bonds  
numbered and classified as follows :

Act of June 30, 1864.

*Coupon Bonds.*

\$50, No. 1 to No. 550	....
\$100, No. 1 to No. 850	....
\$500, No. 1 to No. 500	....
\$1,000, No. 1 to No. 800	....

*Registered Bonds.*

\$5,000, No. 1 to No. 641	....
---------------------------	------

Act of March 3, 1865.

*Registered Bonds (May and Nov.)*

\$50, No. 526 to 532	
\$100, No. 3,551 to 3,662	
\$500, No. 2,151 to 481	
\$1,000, No. 10,969 to 11,200	
\$5,000, No. 3,825 to 3,876	
\$10,000, No. 10,151 to 10,484	

Of the amount outstanding, embraced in the numbers as above, \$1,475,400 are coupon bonds, and \$3,524,600 are registered bonds. The calls now outstanding for the five-twenty six per cents of 1864 are as follows:

Interest ceasing December 1.....	\$13,000,000
“ “ December 14.....	5,000,000
“ “ January 1.....	5,000,000
“ “ February 1.....	10,000,000
“ “ February 15.....	17,785,000
Total.....	\$50,785,000

**CERTIFICATION OF "RAISED" CHECKS.**—The Security Bank of this city certified, and afterwards paid to the National Bank of the Republic, a check purporting to be for \$4,222.55. Shortly afterward it was discovered that the check had been drawn for only \$24, the amount and the indorsement both being altered. The holder had purchased gold for it from Duff & Tienken, of Wall street, who had sent it to the Security Bank, which certified it. The check was next deposited in the National Bank of the Republic and was paid through the Clearing-House. Repayment of the difference being refused, the Security Bank brought suit, claiming that they were entitled to recover on a forged check; that they only certified to the signature, and that the signer had so much credit. The General Term decided that the certification was not an estoppel of suit, and in the Common Pleas Court a verdict was rendered for the plaintiffs in \$5,602.60.

Among the recent decisions of the U. S. Supreme Court, are the following:

**SURRENDER OF BILLS OF LADING.**—National Bank of Commerce of Boston *vs.* the Merchants' National Bank of Memphis—Error to the Massachusetts Circuit.—This case presents the question whether a bill of lading of merchandise made deliverable to order, attached to a time draft and forwarded with the draft to an agent for collection without any special instructions, may be surrendered to the drawee upon his acceptance of the draft, or whether the agent's duty is to hold the bill of lading until the payment of the draft. The Court hold that the agent cannot be held liable for a breach of duty in surrendering the bill of lading on acceptance of the draft unless he has had special instructions to retain the bill until payment of the acceptance. Mr. Justice Strong delivered the opinion.

**BANKS NOT RESPONSIBLE FOR MILITARY ORDERS.**—No. 28.—McSemore *vs.* the Louisiana State Bank—Error to the Circuit Court for Louisiana. The plaintiff pledged certain securities in 1861 to the bank as collateral for a loan. The loan was not paid at maturity, and the collateral remained in the possession of the bank until it was put into liquidation by General Banks. The Court held that the plaintiff cannot make the bank responsible for the acts of the commissioners. It was shown that the pledges were taken from it by superior force against its will and protest. Judge Davis delivered the opinion.

**CONTRACTS IN CONFEDERATE CURRENCY.**—The Wilmington and Weldon Railroad *vs.* King, executor—Error to the Supreme Court of North Carolina.—The company contracted for wood to be paid for in Confederate currency, and the question was, first, whether the contract was valid, and, second, if so, what should be the scale of payment. The Court hold that contracts thus payable, not designed in their origin to aid the insurrection, were not invalid between the parties, and will be sustained, and that the true measure of value should be the value of Confederate currency at the date of the contract. Mr. Justice Field delivered the opinion. Mr. Justice Bradley dissented.

**LARGE SCALES.**—Among other improvements in the Assay Office, New York, is a pair of immense scales for weighing gold and other precious metals. Their capacity is equal to 10,000 ounces, or over \$1,000,000 worth of gold, and the scale is sensitive to one-tenth of a grain. The balance stands seven feet high, with a beam five feet across. The frame and stand are of iron, and the beam of gun-metal, the latter having been cast and then hammered to an uniform density. The plates are of brass, one plate having a covering of steel bars to prevent wear in loading and unloading. The

balance rests on hardened steel knife-edges, which work on polished agate plates. The whole machine weighs 1,100 pounds, and rests on a solid granite pier built upon heavy, deeply laid foundations. The working of the scale is so delicate that if one end of the beam should be colder than the other, the consequent contraction would render the balance untrue. The cost of the scales is \$2,000.

**ALABAMA.**—In the new Constitution of Alabama there is a provision that all banks organized in that State must have a specie basis, and all their notes must be redeemed in silver or gold. Suspension of specie payments is forbidden, and bank charters are granted only for twenty years. The loaning of the State or municipal credit to individuals or corporations is prohibited.

**CALIFORNIA.**—The National Gold Bank and Trust Company of San Francisco, having undergone a second run, again suspended on the 30th of October. On November 3d, the Board of Directors decided to go into liquidation and wind up its affairs. According to their statement, the assets more than cover all the liabilities.

**NEW COUNTERFEITS.**—Two new counterfeit \$5 bills have appeared in November—one on the First National Bank of Peru, Ill., well done; and one on the First National Bank of Galena, Ill., no such bank being in existence. Both are from the same plate as that on the Traders' National Bank of Chicago.

**FEMALE BANK DIRECTORS.**—In the *BANKER'S MAGAZINE* of March last, the election of Mrs. Lydia Bradley as Director of the First National Bank of Peoria, Ill., was mentioned as the first instance of the kind on record. A correspondent points out that, although perhaps the first published, it is not the first on record. The First National Bank of Huntington, Indiana, has two lady directors; the first, Mrs. Anna A. Daily, was elected in January, 1868; the other, Mrs. E. J. Purviance, in 1873—both continuing to hold the office. In the instance of this bank, the stockholders cannot do better or otherwise, from the fact that their number comprises only three gentlemen and four ladies, while the law requires not less than five directors.

**IOWA.**—The Iowa National Bank, a new institution, opened for business on November 9th, with a capital of \$100,000. Its officers are: H. K. Love, President, and George H. Maish, Cashier. New York correspondent, the National Park Bank.

**BOWLES BROTHERS.**—In the London Court of Bankruptcy an application was made on November 8th for a confirmation of the scheme of settlement arranged among the creditors of Bowles Brothers, the American bankers. This scheme involves the amalgamation of all the assets into a common fund, and the resumption of business by Charles Bowles under the style of "Bowles Brothers & Co.," he giving bonds for the full payment of the debts, and all opposing litigation to cease. The Registrar made an order subject to the production of a deed embodying the terms of the arrangement and the form of the proposed bond.

**MICHIGAN.**—A bold and successful burglary was committed on the First National Bank of Monroe, Michigan, early on the morning of November 24th. The watchman was bound and gagged; the outer doors of the safe were blown off, and an entrance obtained to the inside safe by prying open the inner door with wedges. Between \$17,000 and \$18,000 were obtained. Five or six men participated in the robbery, some of whom remained outside on guard. An adjourning office was entered by some of the parties and the inmates kept quiet by having pistols presented at their heads. The explosion which blew off the outer doors of the safe was very heavy, and burst out the windows and made a complete wreck of the room. The officers of the bank have offered a reward of \$2,000 for the capture of the robbers, who escaped as usual.

**NEVADA.**—A new bank has been organized at Carson City, called the Carson City Savings Bank. The officers are: George Tuffy, President; George B. Hill, Cashier. Capital, \$100,000. New York correspondent, Messrs. George Opdyke & Co.

**WEST INDIES.**—The Colonial Bank in St. Thomas is winding up its affairs, as the business it is doing at that point (where great German houses do so much banking for others) is not sufficiently remunerative.

**A DISCOUNT REGISTRY.**—A new idea has been brought forward to guard against the evils arising from "bad paper" being thrown into the market. A "bank manager," who is stated by the city editor of the *Montreal Times* to be the manager of one of our leading joint-stock banks, suggests a plan by which, in his opinion, the desired end may be attained. He proposes to establish a clearing discount establishment, organized on the same principle as the bankers' clearing-house, and that all bills discounted or advanced upon by bankers or brokers should be registered daily through the books of the said clearing-house by slips supplied by the different members, and that each member should have the exclusive privilege of ascertaining at any moment the total amount for which any firm is liable. This would, no doubt, have a very considerable effect; but the question remains unanswered, whether such a scheme would not be found impracticable, as involving too great an amount of publicity for such transactions.—*Monetary Times, Toronto.*

**CANADA SAVINGS BANKS.**—In the Maritime Provinces financial distress among the classes who use the Savings Banks as their strong box cannot be very great, as the falling off in deposits is not more than ten per cent. over last year. The October returns of the Halifax branch show the deposits to be \$43,500 in 1875, while in the same month of 1874 they were \$48,800. The withdrawals, which were \$59,000 in 1874, are \$54,500 in 1875; and the amount invested in five per cent. stock is \$10,400, or \$3,400 over October of last year.—*Ibid.*

**Canadian Counterfeits.**—Intimation is given by the Bank of British North America that there are in circulation counterfeit \$5, \$10, \$20, \$50 and \$100 notes on the branches in St. John, St. Stephen and Halifax.

**A CURIOUS LONDON BANK.**—In our July number appeared some interesting reminiscences, under the head of "Banking in the olden time." Some further peculiarities in the house therein particularly referred to, are given by the London correspondent of the *Liverpool Journal*, who says: "There has lately been a considerable commotion in one of the most curiously conducted business concerns in London, or perhaps in the world. I mean the bank of Childs & Co., in Fleet street. This, as your readers may have heard, is the establishment which, I suppose, for more than a hundred years, has used the upper part of Temple Bar as a muniment room, where many notable autographs and account-books, having historical associations, were to be seen by the curious. The singular thing about the bank, however, is its constitution. Originally it was founded by the Jersey family, and the head of that house has, I believe, always retained partnership, but the other partners are taken from among the clerks on a sort of tontine principle, so that every clerk who enters the bank must, if he lives long enough, become a partner. As this is a step from hundreds a year to thousands, one might suppose the effect would be somewhat remarkable. Human nature is, perhaps, bad enough to warrant one in supposing that the clerk next in succession might be tempted to place the partners as much as possible in cold drafts, or to beguile them into unhealthy ways of life. At the very least, there must be a rather morbid interest in the bodily state of these old gentlemen, and, when one of them is absent on account of ill health, the throbbing of expectancy must become almost unbearable. Of late there have actually been, either by death or removal, four successive retirements from partnership, following each other very closely. The glee of the juniors, under such circumstances, must have been well nigh uncontrollable. Any one who was privileged to tell the secrets of the bank might make a very good magazine article out of its various old-fashioned ways. It is only comparatively lately that engraved checks were introduced. Until then, it was always usual for ladies and gentlemen, who had accounts at the bank, to write their drafts on plain paper. There are probably few business accounts kept at such an establishment, and, I dare say, old-fashioned and aristocratic connections of the bank like it all the better for its Old World peculiarities."

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

*(Monthly List; continued from November No., page 402.)*

## NOVEMBER, 1875.

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank and President.</i>	<i>N. Y. Correspondent and Cashier.</i>
CAL....	Santa Cruz....	Bank of Santa Cruz..... L. Heath, <i>Pr.</i>	J. & W. Seligman & Co. E. J. Fox, <i>Cas.</i>
GA .....	Forsyth.....	W. T. Maynard & Co.....	Fourth National Bank.
ILL .....	Grayville .....	Grayville Banking Co.....	Winslow, Lanier & Co.
" .....	Englewood .....	L. W. Beck.....	John J. Cisco & Son.
" .....	Kinmundy .....	Farmers & Merch. Bank...	Importers & Traders' Nat. Bk.
IND....	Terre Haute...	P. Shannon.....	(None.)
" .....	Peru.....	Bouslog & Co.....	(None at present.)
" .....	Tipton.....	Tipton County Bank.....	Third National Bank.
IOWA ...	Des Moines...	Iowa National Bank..... \$ 57,250 Henry K. Love, <i>Pr.</i>	National Park Bank. George H. Maish, <i>Cas.</i>
KAN ....	El Dorado....	Exchange B. of El Dorado.	Donnell, Lawson & Co.
KY.....	Lancaster.....	Deposit Bank.....	.....
ME .....	Waterville....	Merchants' National Bank. \$ 50,000 John Ware, <i>Pr.</i>	George H. Ware, <i>Cas.</i>
MICH....	St. Louis.....	Harrington, Saviers & Co.	George Opdyke & Co.
" .....	Mt. Pleasant..	J. R. Smith & Co.....	Ninth National Bank.
MO.....	Marshfield....	Webster County Bank..... Joseph Wisby, <i>Pr.</i>	Donnell, Lawson & Co. W. F. Thompson, <i>Cas.</i>
NEV ....	Carson City...	Carson City Savings Bank. \$ 100,000 George Tuffy, <i>Pr.</i>	George Opdyke & Co. George B. Hill, <i>Cas.</i>
N. H....	Lancaster.....	Henry O. Kent.....	Tower, Giddings & Co., Boston.
N. Y....	Belfast .....	James M. Davis.....	Ninth National Bank.
" .....	Chatham Vill'e	State Bank..... George L. Morris, <i>Pr.</i>	Importers & Traders' Nat. Bk. Samuel Moffat, <i>Cas.</i>
" .....	Waverly .....	Citizens' Bank..... J. T. Sawyer, <i>Pr.</i>	Central National Bank. Moses Lyman, Jr., <i>Cas.</i>
OHIO ...	Lima .....	Baxter Brothers & Co.....	National Park Bank.
" .....	Rushsylvania..	Farmers' Bank..... Samuel Stewart, <i>Pr.</i>	Ninth National Bank. John McCulloch, <i>Cas.</i>
PENN...	Lehighton ....	First National Bank..... \$ 30,000 Daniel Olewine, <i>Pr.</i>	..... W. W. Bowman, <i>Cas.</i>
S. C....	Walhalla.....	Bank of Walhalla..... \$ 25,000 Samuel Lovingood, <i>Pr.</i>	National Park Bank. W. C. Ervin, <i>Cas.</i>
TEXAS..	Texarkana ....	Wayne Sims.....	Rollins Brothers & Co.

BERG'S TIME CALCULATOR.—This is an ingenious and effective arrangement for ascertaining the maturity of paper, or the number of days contained between two different dates. A movable disc, on whose rim are each month and its days, revolves in a stationary frame. On the latter are indicated, by their consecutive numbers, all the days of the year. The price is \$3. Orders may be addressed to this office.



## CHANGES OF PRESIDENT AND CASHIER.

(Monthly List; continued from November No., page 403.)

NOVEMBER, 1875.

	<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
CAL....	Bank of San Luis Obispo.....	C. H. Phillips, <i>Pr.</i> .....	E. W. Steele.
" .....	" " " " " .....	E. J. Smith, <i>Cas.</i> .....	C. H. Phillips.
CONN..	City Bank, New Haven.....	George W. Curtis, <i>Pr.</i> ...	E. C. Read.
DEL....	Bank of Smyrna, Smyrna.....	Geo. H. Raymond, <i>Pr.</i> ...	A. Stockley.
GA....	City Bank, Macon.....	John J. Gresham, <i>Pr.</i> ...	C. A. Nutting.
" .....	Exchange Bank, Macon.....	John C. Curd, <i>Pr.</i> .....	S. G. Bonn.
" .....	Planters' Banking Co., Macon...	T. H. Willingham, <i>Pr.</i> ...	W. J. Lawton.
" .....	Griffin Banking Co., Griffin.....	Samuel Bailey, <i>Pr.</i> .....	W. M. Bates.
" .....	" " " " " .....	W. M. Mitchell, <i>Cas.</i> ...	J. S. Jones.
ILL....	First National Bank, Princeton...	Frank Gould, <i>Cas.</i> .....	W. W. Ferris.
IND ..	Central Bank, Indianapolis.....	J. A. Wildman, <i>Cas.</i> ....	C. B. Cones.
" ..	Lafayette Savings Bk., Lafayette.	C. S. Warner, <i>Sec.</i> .....	W. S. Peckham.
" ..	Hartford City Bk., Hartford City.	E. T. Chaffee, <i>Cas.</i> ....	H. S. Bradley, Jr.
" ..	Citizens' Bank, Connorsville....	William Huston, <i>Pr.</i> ....	S. Scofield.
" ..	" " " " " .....	J. N. Huston, <i>Cas.</i> ....	W. H. Wherrett.
" ..	Citizens' Bank, Anderson.....	Thos. McCullough, <i>Pr.</i> .....	.....
" ..	People's Bank, Bedford.....	W. C. Winslandley, <i>Pr.</i> ...	M. A. Malott.
" ..	" " " " " .....	Thomas H. Malott, <i>Cas.</i> ...	W. C. Winsland-
" ..	Lake City Bank, Warsaw.....	Hudson Beck, <i>Pr.</i> .....	J. McMurry. [ley.
" ..	" " " " " .....	John H. Lewis, <i>Cas.</i> ....	J. B. McMurry.
IOWA..	First National Bank, Newton ....	William Vaughan, <i>Pr.</i> ...	J. Long.
" ..	" " " " " Grinnell ....	Alonzo Steele, <i>Pr.</i> .....	T. Holyoke.
" ..	" " " " " " ....	Chas. H. Spencer, <i>Cas.</i> ...	H. Lawrence, <i>p. t.</i>
" ..	Citizens' Bank, Prairie City.....	J. W. Deweese, <i>Pr.</i> ....	A. Rosecrans.
" ..	" " " " " " .....	J. B. Roach, <i>Cas.</i> .....	J. B. Haddock.
KAN...	Neodesha Savings Bk., Neodesha	John H. Gray, <i>Pr.</i> .....	J. V. Pierce.
KY....	Madison National Bk., Richmond	D. A. Chenault, <i>Pr.</i> ....	T. S. Brewster.
MAINE.	Second National Bank, Bangor...	Nathan C. Ayer, <i>Pr.</i> ....	G. K. Jewett.
" ..	Eastern Bank, " .....	Chas. W. Roberts, <i>Cas.</i> ...	E. Clark, <i>Acting.</i>
MASS..	First Nat. Bank, Yarmouth Port.	William P. Davis, <i>Cas.</i> ...	A. Otis.*
" ..	Ocean Nat. Bank, Newburyport.	Charles Lunt, <i>Pr.</i> .....	W. Cushing.
MICH..	Lenawee Co. Savings Bk., Adrian	William Dutton, <i>Pr.</i> ....	E. L. Clark.
" ..	Merchants' Nat. B., East Saginaw	Henry C. Potter, <i>V. Pr.</i> ...	J. F. Brown, <i>Pr.</i>
MINN..	First National Bank, Owatonna..	C. J. Kinyon, <i>Cas.</i> .....	D. S. Kinyon.
" ..	Far. & Merch. S. B., Minneapolis	Levi Butler, <i>Pr.</i> .....	A. D. Mulford.
MO....	Bank of Commerce, St. Louis...	C. B. Burnham, <i>Pr.</i> ....	H. S. Reed.
" ..	Guardian Savings Bank, St. Louis	Patrick Burns, <i>Pr.</i> .....	B. J. Reilly.
" ..	" " " " " " .....	J. A. Bailey, <i>Cas.</i> .....	E. Leavy.
" ..	Hibernia Savings Bank, " .....	John J. Mitchell, <i>Pr.</i> ....	R. P. Tansey.
" ..	Market Street Bank, " .....	Frank H. Dietz, <i>Cas.</i> ....	G. A. Spannagel.
" ..	U. S. Savings Institution, " .....	Jacob Tamm, <i>Pr.</i> .....	C. H. Teichmann.
" ..	" " " " " " .....	Charles Kern, <i>Cas.</i> .....	L. Schmidt.
" ..	West St. Louis Sav. Bk., " .....	L. G. Holthaus, <i>Pr.</i> ....	H. T. Wilde.
" ..	Bank of St. Louis, " .....	August Bock, <i>Cas.</i> .....	W. F. Dieterichs.
" ..	The Bank of the West, " .....	George F. Dittmann, <i>Pr.</i> ...	W. Meyer.
" ..	Missouri Valley Bank, " .....	R. T. Jenkins, <i>Pr.</i> .....	E. H. Brooks.



## OFFICIAL BULLETIN OF NEW NATIONAL BANKS,

Authorized October 20 to November 24, 1875.

No.	Name and Place.	President and Cashier.	Capital.	
			Authorized.	Paid.
2306	Merchants' National Bank, Waterville, ME.	John Ware..... George H. Ware.	\$ 100,000	\$ 50,000
2307	Iowa National Bank, Des Moines, IOWA.	Henry K. Love ..... George H. Maish.	100,000	50,000
2308	First National Bank, Lehighton, PENN.	Daniel Olewine..... W. W. Bowman.	50,000	30,000

## DISSOLVED, DISCONTINUED, OR CHANGED.

(Monthly List, continued from November No., page 404.)

ILL.....	W. G. Swannell, <i>Kankakee</i> ; failed.
".....	T. W. Haymond & Co., <i>Kinmundy</i> ; succeeded by Farmers & Merch. Bank.
KAN....	State N. B., and J. P. Ennis & Co., <i>Topeka</i> ; consolidated as State Sav. Bk.
".....	German Savings Bank, <i>Leavenworth</i> ; now German Bank.
".....	Ottawa Bank, <i>Ottawa</i> ; merged in First National Bank.
MICH...	Tawas Banking Co., <i>East Tawas</i> ; discontinued.
".....	Collection B. of <i>Bay City</i> ; changed to Collection & Deposit B. of Bay City.
MINN...	E. B. Eddy, <i>Plainview</i> ; succeeded by the Plainview Bk. of Eddy & Erskine.
".....	Bank of Duluth, <i>Duluth</i> ; suspended.
".....	Farmer Brothers & Easton, <i>Spring Valley</i> ; succeeded by Farmer & Easton.
".....	Jasper County Bank, <i>Cartkage</i> ; discontinued.
N. Y....	Chandler & Rockwell, <i>Union</i> ; succeeded by M. C. Rockwell & Co.
".....	Barnes, Stark & Munroe, <i>Oncida</i> ; succeeded by E. C. Stark & Co.
N. C....	Rountree & Webb, <i>New Berne</i> ; succeeded by R. H. Rountree.
OHIO...	First National Bank, <i>Tiffin</i> ; suspended.
".....	Madison County Bank, <i>London</i> ; closed.
PENN...	Souther, Willis & Souther, <i>Ridgway</i> ; succeeded by Ridgway Bank.
TEXAS..	Latimer & Chancellor, <i>Ennis</i> ; succeeded by Mark Latimer.

## THE PREMIUM ON GOLD AT NEW YORK,

OCTOBER—NOVEMBER, 1875.

1874.	Lowest.	Highest.	1875.	Lowest.	Highest.	1875.	Lowest.	Highest.
Nov. ....	10	12 $\frac{3}{4}$	Oct. 25 ..	14 $\frac{1}{2}$	15 $\frac{1}{2}$	Nov. 9 ..	14 $\frac{3}{4}$	15
Dec. ....	11 $\frac{1}{2}$	12 $\frac{3}{4}$	" 26 ..	15 $\frac{1}{2}$	15 $\frac{3}{4}$	" 10 ..	14 $\frac{3}{4}$	14 $\frac{3}{4}$
1875.			" 27 ..	15 $\frac{3}{4}$	16 $\frac{1}{2}$	" 11 ..	14 $\frac{3}{4}$	14 $\frac{3}{4}$
January...	11 $\frac{1}{2}$	13 $\frac{3}{4}$	" 28 ..	16 $\frac{1}{2}$	16 $\frac{3}{4}$	" 12 ..	14 $\frac{3}{4}$	14 $\frac{3}{4}$
February..	13 $\frac{1}{2}$	15 $\frac{3}{4}$	" 29 ..	16 $\frac{1}{2}$	16 $\frac{3}{4}$	" 13 ..	14 $\frac{3}{4}$	14 $\frac{3}{4}$
March ....	14 $\frac{1}{2}$	17	" 30 ..	15 $\frac{3}{4}$	16 $\frac{1}{2}$	" 15 ..	14 $\frac{3}{4}$	14 $\frac{3}{4}$
April ....	14	15 $\frac{1}{2}$				" 16 ..	14 $\frac{3}{4}$	14 $\frac{3}{4}$
May ..... 15	16 $\frac{3}{4}$		Nov. 1 ..	15 $\frac{3}{4}$	16 $\frac{3}{4}$	" 17 ..	14 $\frac{3}{4}$	14 $\frac{3}{4}$
June ..... 16 $\frac{1}{2}$	17 $\frac{1}{2}$		" 3 ..	15	15 $\frac{3}{4}$	" 18 ..	14 $\frac{3}{4}$	14 $\frac{3}{4}$
July ..... 11 $\frac{1}{2}$	17 $\frac{1}{2}$		" 4 ..	14 $\frac{3}{4}$	15 $\frac{3}{4}$	" 19 ..	14 $\frac{3}{4}$	15
August .. 12 $\frac{3}{4}$	14 $\frac{3}{4}$		" 5 ..	15 $\frac{3}{4}$	15 $\frac{3}{4}$	" 20 ..	14 $\frac{3}{4}$	14 $\frac{3}{4}$
September 13 $\frac{1}{2}$	17 $\frac{1}{2}$		" 6 ..	14 $\frac{3}{4}$	15 $\frac{3}{4}$	" 21 ..	14 $\frac{3}{4}$	14 $\frac{3}{4}$
October .. 14 $\frac{1}{2}$	17 $\frac{1}{2}$		" 8 ..	14 $\frac{3}{4}$	15 $\frac{1}{2}$	" 22 ..	14 $\frac{3}{4}$	14 $\frac{3}{4}$

## NOTES ON THE MONEY MARKET.

NEW YORK, NOVEMBER 23, 1875.

*Exchange on London at sixty days' sight, 4 $\frac{83}{100}$ % a 4 $\frac{87}{100}$ %, in gold.*

At the Stock Exchange, the opening of the Fall trade, as was anticipated, has caused considerable movement. The dullness of general business and a prevailing uneasiness in regard to the intentions of Congress in regard to the currency, have tended, with other causes, to contract the volume of business done. Still, there has been a lively, though intermittent activity.

The market for the Government Securities has been active, both for speculation and for investment. The closing up of the new fives, and the call just made by the Treasury for \$17,785,000 of five-twenties, has developed a new movement in the foreign demand, which has also received considerable impulse from recent events in Europe. The demand fully equals the offerings. The outstanding calls which have been issued up to this date will absorb all the five-twenties of 1864, with \$1,975,400 of the old 1865's. In the debt statement at the beginning of this month, the Treasury reported 56 millions of 1864 bonds outstanding. Of these the registered bonds were 24 millions, and the coupon bonds 32 millions. These 1864 bonds will all disappear from the schedule of the public debt on the 24th of February, 1876, when the thirty-first call expires. The next bonds in order are the old 1865's. These will be called next. Indeed, the present call takes, as we have said, nearly two millions of them. The aggregate of these bonds was reported on the 1st November, at \$33,849,950 registered, and \$118,684,400 coupons. Most of the coupon bonds of this description are believed to be held abroad. In the market for State bonds, little is doing. Railroad bonds are less in demand for investment than they were some weeks ago, but the late dullness is passing off. In railroad shares there has been a fair volume of business, the market closing steady. Subjoined are our usual quotations:

QUOTATIONS:	Oct. 27.	Nov. 3.	Nov. 9.	Nov. 16.	Nov. 23.
Gold.....	116 ..	115 $\frac{1}{2}$ ..	114 $\frac{1}{2}$ ..	114 $\frac{1}{2}$ ..	114 $\frac{1}{2}$ ..
U. S. 5-20s, 1867 Coup.	120 $\frac{1}{2}$ ..	120 $\frac{1}{2}$ ..	120 $\frac{1}{2}$ ..	121 $\frac{1}{2}$ ..	122 $\frac{1}{2}$ ..
U. S. new Fives Coup.	117 ..	115 $\frac{1}{2}$ ..	115 $\frac{1}{2}$ ..	116 $\frac{1}{2}$ ..	116 $\frac{1}{2}$ ..
West Union Tel. Co..	76 $\frac{1}{2}$ ..	75 $\frac{1}{2}$ ..	76 $\frac{1}{2}$ ..	75 $\frac{1}{2}$ ..	75 $\frac{1}{2}$ ..
N. Y. C. & Hudson R.	104 $\frac{1}{2}$ ..	104 ..	104 $\frac{1}{2}$ ..	104 $\frac{1}{2}$ ..	105 $\frac{1}{2}$ ..
Lake Shore.....	62 $\frac{1}{2}$ ..	61 $\frac{1}{2}$ ..	62 ..	61 $\frac{1}{2}$ ..	61 $\frac{1}{2}$ ..
Chicago & Rock Island	103 $\frac{1}{2}$ ..	103 $\frac{1}{2}$ ..	104 $\frac{1}{2}$ ..	104 $\frac{1}{2}$ ..	105 $\frac{1}{2}$ ..
New Jersey Central...	106 ..	105 ..	104 ..	105 $\frac{1}{2}$ ..	105 $\frac{1}{2}$ ..
Erie.....	18 $\frac{1}{2}$ ..	17 $\frac{1}{2}$ ..	17 $\frac{1}{2}$ ..	15 $\frac{1}{2}$ ..	15 $\frac{1}{2}$ ..
Union Pacific.....	65 $\frac{1}{2}$ ..	65 ..	66 ..	72 ..	72 $\frac{1}{2}$ ..
Bills on London.....	4.784.79 ..	4.80 $\frac{1}{2}$ 4.81 $\frac{1}{2}$ ..	4.81 $\frac{1}{2}$ 4.82 ..	4.83 $\frac{1}{2}$ 4.84 ..	4.83 $\frac{1}{2}$ 4.84 $\frac{1}{2}$ ..
Treasury balances, cur.	\$53,915,926 ..	\$52,590,339 ..	\$53,117,014 ..	\$44,746,512 ..	\$44,139,877 ..
Do. do. gold	40,555,373 ..	41,702,338 ..	41,596,225 ..	42,851,638 ..	42,188,811 ..
Call loans .....	34 ..	37 ..	2 $\frac{1}{2}$ 3 $\frac{1}{2}$ ..	32 $\frac{1}{2}$ ..	34 ..
Discounts.....	627 ..	627 ..	627 ..	627 ..	627 $\frac{1}{2}$ ..

The general movements of business are encouraging. The foreign exports of breadstuffs and of other produce are larger, and the disposition on the part of the farmers to send forward their crops is improving. The consequence is that more money is put in circulation among the people, old debts are being paid off, and

an impulse is being communicated to various parts of the industrial and commercial machinery, which have been too long quiet. Still, complaints are frequent that much of the business now going on is done at a loss. Longer credits are also being offered with a view to induce purchases and stimulate business. Yet, notwithstanding these drawbacks, the course of trade certainly offers a larger number of encouraging features than have appeared for some time past.

Gold has fallen, as was in some quarters expected. The price now continues fairly steady, and the market quiet. The German Government has just bought \$20,000,000 of gold in the London market. It would seem from the decline of the Bank of England rate last Thursday to 3 per cent., that the German demand for gold is believed to be about over for the present. If so, one of the forces operating here to keep up the premium will be removed. In this market, however, some of the shrewdest bankers are said to be looking for a higher price of gold. But with specie payments approaching, we ought to see a gradual decline of gold, except special extraneous causes should combine to support it. The great fire at Virginia City was one of these special causes, and it was expected to disturb the gold market for a long time to come. But its effects were very slight, and it soon ceased to have any influence in the market. The efforts of the gold clique have also apparently ceased for the present. The carrying rate is from 1 to 3 per cent., and flat. The supply of cash gold for delivery is more ample, as the payment of the bonds for the sinking fund has drawn some gold out of the Treasury.

The money market offers several features of interest. As stated above, the Secretary of the Treasury has negotiated the last installment of the new five per cents. The aggregate of these bonds is five hundred millions, and the portion negotiated by Mr. Bristow has been sold to the syndicate at par in gold, minus  $\frac{1}{4}$  per cent. commission. Elsewhere we give the particulars of the thirtieth call and the thirty-first call of bonds, the former of which closes up the syndicate account, while the latter is for the sinking fund. It is reported from Washington that the Secretary will sell to the syndicate three hundred millions of  $4\frac{1}{2}$  per cents. about the beginning of next year. But a dispute has arisen as to his power to do so under the existing laws. When the funding act of July, 1870, was passed, it was originally intended to authorize no bonds but four per cents. Mr. Boutwell and others contended that at four per cent. in gold our whole debt would be refunded. To aid in starting a negotiation, however, Congress authorized 200 millions of fives, and 300 millions of four and a-half per cents. These bonds were authorized with 1,000 millions of four per cents., and it was thought that perhaps the whole of the fours could be negotiated at par without calling in the aid of the higher class of bonds. This expectation was disappointed. The Franco-German war broke out and disturbed all our plans for negotiating our bonds in Europe. Still, something was accomplished, and the proposition was made that Congress should increase the five per cents. to 500 millions of dollars. This was done in the Act of 30th January, 1871, which provided, however, that the total amount of bonds (1,500 millions) provided for in the Act of July, 1870, should remain as before, and that the new act should not be construed to authorize any increase. Now the question is raised whether Congress intended to substitute these new fives for the old four per cents. or for the four and a-half per cents. The prevailing opinion seems to incline to the latter alternative, inasmuch as the purpose of the legislation would otherwise be sacrificed. This purpose was to negotiate the 1,000 millions of fours, no part of which could be curtailed or sacrificed without giving up the principle on which this funding legislation was based. As the money markets of Europe are now in a more receptive condition for our Government bonds, there is considerable reason to believe that a four per cent. long bond would sell in Europe if properly presented. To this belief is due the firmness and activity of United States securities in Wall street.

A second topic which is anxiously canvassed at the Stock Exchange is the sensational rumor of possible war with Spain. How far the current report is fostered for speculative purposes, it is impossible to say. There is, however, very little serious apprehension, as is proved by the fact that gold has shown remarkable steadiness and freedom from perturbation. Some of the contractors, it is said, are anxious to have a few millions spent upon the navy, while a number of speculative gentlemen who hold Cuban bonds hope to stir up a demand, and to increase the chances of selling them. To these and similar motives operating at Washington and elsewhere, the efforts have been in part ascribed which have lately stirred up the excitement about the Spanish difficulty.

Another point of monetary importance is the reduction of the Bank of England rate to 3 per cent. This change is expected to operate favorably upon the foreign exchanges as well as upon our money market. At least it indicates the monetary ease which prevails in the European markets, and the plethora of capital there.

In consequence of these and similar forces operating to give ease to the monetary situation, there has been a decided relaxation in the tone of the market, without, however, much change of rates. Call loans range at 3 to 5 per cent., with exceptional transactions at 6 per cent. Most of the Stock Exchange business is now doing at 3 to 4 per cent.; on Governments money has been offered at 3 per cent. for 60 days, and on stock collaterals at 4 per cent. For discounts the rates are firm, at 6 and 7 per cent. for first-class names. The bank averages show the effects of a wholesome drain of currency to the West and South to move the crops. Hence the deposits and the legal-tender reserves are lower. The New York bank statements compare as follows:

1875.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Exchanges.
Nov. 1.....	\$275,914,900 ..	\$9,920,900 ..	\$53,455,400 ..	\$17,997,700 ..	\$221,076,200 ..	\$448,669,059
" 8....	276,575,800 ..	13,245,500 ..	51,314,500 ..	18,039,400 ..	221,931,200 ..	478,100,493
" 15....	273,891,600 ..	14,409,400 ..	48,951,500 ..	18,145,100 ..	218,517,300 ..	415,380,336
" 22....	272,697,400 ..	15,712,000 ..	47,987,300 ..	18,449,400 ..	216,131,800 ..	416,908,559

The Boston Clearing-House statements compare as follows:

1875.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Nov. 1.....	136,702,500 ...	582,800 ...	10,073,400 ...	82,804,100 ...	25,280,300
" 8.....	136,485,800 ...	772,100 ...	10,157,700 ...	83,902,700 ...	25,398,100
" 15.....	137,586,600 ...	781,300 ...	10,077,700 ...	83,285,300 ...	25,502,800

The Philadelphia statements are as follows:

1875.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Nov. 1.....	61,733,716 ...	146,212 ...	13,556,126 ...	48,552,980 ...	10,802,779
" 8.....	61,278,758 ...	256,015 ...	13,512,725 ...	47,498,768 ...	10,689,846
" 15.....	60,894,516 ...	231,992 ...	12,947,243 ...	47,227,640 ...	11,638,352

Some surprise has been expressed among the banks of this city at the proposition of the Tax Commissioners of the State of New York, about the new scale of assessment. There is, however, no novelty about the scheme, as it has been long proposed. What the Commissioners want to do is to tax the surplus of the banks as capital. These officers affirm that the surplus of such an institution as the Chemical Bank of this city is virtually its capital, and that the bank gets consideration and credit from the people on account of the surplus, just the same as if it was capital. The Commissioners argue, therefore, that it is their duty, in assessing each holder of bank shares, to make the assessment not on the par value of the stock, as has been the custom for years past, but on the value of the shares as determined by the report of surplus fund account, as shown by last sworn statement of the bank. In support of this claim they cite a decision of the Supreme Court of this State in a case between one of the Albany banks and the tax assessors of

that city. The banks, on the other hand, claim that under a fair construction of the statute, only the par value of the stock can be assessed, as has been the usage heretofore. No decision has been made as yet.

The total outstanding circulation of the National banks, with the amount of bonds deposited in Washington, compare as follows:

<i>Week ending</i>	<i>Notes in circulation.</i>	<i>Bonds for circulation.</i>	<i>Bonds for U. S. deposits.</i>	<i>Total bonds.</i>	<i>Coin in Treasury.</i>	<i>Coin Certificates.</i>
May 15...	\$ 350,459,189 ..	\$ 379,198,900 ..	\$ 16,017,200 ..	\$ 395,216,100 ..	\$ 92,205,130 ..	\$ 20,848,600 ..
May 22....	350,012,329 ..	379,186,900 ..	15,967,200 ..	395,154,100 ..	92,551,522 ..	20,119,800 ..
June 5....	350,780,279 ..	378,938,900 ..	15,917,200 ..	394,856,100 ..	83,927,204 ..	19,777,200 ..
June 12....	349,257,859 ..	378,176,400 ..	15,842,200 ..	394,118,600 ..	83,608,659 ..	19,248,300 ..
June 19....	348,994,474 ..	376,860,400 ..	15,892,200 ..	392,752,600 ..	77,016,446 ..	19,803,100 ..
June 26....	349,462,839 ..	376,585,600 ..	15,817,200 ..	392,402,800 ..	69,945,673 ..	18,489,700 ..
July 3....	349,285,309 ..	375,735,000 ..	15,792,200 ..	391,527,200 ..	.....	.....
July 10....	349,735,164 ..	375,333,000 ..	15,792,200 ..	391,125,200 ..	69,608,526 ..	23,673,800 ..
July 17....	351,613,724 ..	375,197,362 ..	15,792,200 ..	390,989,562 ..	68,860,027 ..	23,309,400 ..
July 24....	350,764,469 ..	374,753,362 ..	18,792,200 ..	393,545,562 ..	66,926,937 ..	22,628,300 ..
July 31....	349,835,249 ..	374,894,362 ..	18,792,200 ..	393,686,562 ..	.....	.....
Aug. 7....	348,937,939 ..	374,927,862 ..	18,792,200 ..	393,720,062 ..	71,953,412 ..	22,657,200 ..
Aug. 14....	349,205,093 ..	374,917,762 ..	18,792,200 ..	393,709,962 ..	70,716,887 ..	19,740,700 ..
Aug. 21....	349,130,000 ..	374,788,762 ..	18,792,200 ..	393,580,962 ..	70,738,807 ..	18,561,000 ..
Aug. 28....	348,725,018 ..	374,531,762 ..	18,792,200 ..	393,323,962 ..	70,223,690 ..	17,510,400 ..
Sept. 4....	348,011,138 ..	373,812,762 ..	18,792,200 ..	392,604,962 ..	.....	.....
Sept. 11....	347,980,000 ..	373,382,762 ..	18,792,200 ..	392,174,962 ..	66,730,316 ..	16,389,400 ..
Sept. 18....	347,578,483 ..	373,077,762 ..	18,792,200 ..	391,869,962 ..	65,927,109 ..	12,722,400 ..
Sept. 25....	347,720,223 ..	372,150,762 ..	18,792,200 ..	390,942,962 ..	66,924,152 ..	12,435,000 ..
Oct. 2....	346,994,193 ..	371,489,252 ..	18,782,200 ..	390,271,462 ..	.....	.....
Oct. 9....	346,769,853 ..	369,791,762 ..	18,782,200 ..	388,573,962 ..	68,784,332 ..	12,477,100 ..
Oct. 16....	346,813,776 ..	368,857,212 ..	18,782,200 ..	387,639,412 ..	70,472,506 ..	12,775,600 ..
Oct. 23....	344,458,128 ..	368,119,917 ..	18,760,000 ..	386,879,917 ..	69,070,408 ..	11,562,300 ..
Oct. 30....	346,805,616 ..	367,799,412 ..	18,730,000 ..	386,529,412 ..	.....	.....
Nov. 6....	345,799,108 ..	366,658,312 ..	18,730,000 ..	385,388,312 ..	72,042,514 ..	16,069,900 ..

## DEATHS.

At ROME, N. Y., on Saturday, September 4th, aged sixty-seven years, ISAAC T. MINER, President of the Central National Bank of Rome since its organization, in 1853.

At CENTER RUTLAND, VT., on Monday, September 27th, aged seventy-eight years, WILLIAM V. RIPLEY, President of the Rutland County National Bank.

At YARMOUTH PORT, MASS., on Tuesday, October 19th, aged seventy-four years, AMOS OTIS, President of the First National Bank of Yarmouth.

At PITTSBURGH, PA., on Saturday, October 23d, aged sixty-four years, ROBERT H. HARTLEY, President of the Merchants and Manufacturers' National Bank, of Pittsburgh.

At PIQUA, OHIO, on Saturday, October 23d, aged sixty-six years, JOSEPH G. YOUNG, Cashier of the Piqua National Bank.

At NEW BRUNSWICK, N. J., on Monday, November 1st, JAMES DAYTON, President of the National Bank of New Jersey, at New Brunswick.

At BANGOR, MAINE, on Monday, November 8th, aged seventy-three years, SAMUEL LARRABEE, President of the Mercantile Bank of Bangor, Maine.

THE  
BANKER'S MAGAZINE,  
AND  
Statistical Register.

---

VOLUME X, }  
THIRD SERIES. }

JANUARY, 1876.

No. 7.

---

DEFENSE OF THE NATIONAL BANKING SYSTEM.

The excitement among the banks of this city, on account of the attempt to tax their surplus, has called forth a remonstrance from our New York Clearing-House, which has been published, and should be read by every banker and bank officer, not only in this State, but throughout the country. The near approach of resumption, and the severe pressure to which the process will subject the banking community throughout the United States, should draw closer the bonds of union between all classes of banking institutions.

In the report of the Secretary of the Treasury a suggestion is made as to the defense of the National Banking law, and in the report of the Comptroller of the Currency a long, elaborate argument is given on this subject. The prominence thus given to the work of defense suggests that the enemies of the National Banking system are about to attack it with new energy. If this be done, it will lead the public to scrutinize the National Banking system, that they may measure its usefulness and ascertain its value. In conducting such an investigation, several points demand attention. And first of all, we need scarcely be reminded that the National Banking mechanism is only one of the four distinct parts into which the great fabric of our banking organism is divided. That fabric consists of State Banks, private Banks, and Savings Banks, as well as National Banks. The chief difference between the National Banks and the other banks is well known to be that the former issue notes, while the latter issue no notes. Another difference is, that the National Banks are subjected to the scrutiny of the Comptroller of the Currency and his examiners, while the other banks are not subject to the scrutiny of the Federal Government at all. These and other differences apart, all the banks,



—the savings banks, the private banks, the State Banks and the National Banks—are closely held together as integral parts, associated members, of the great body of our financial system. Hence, in defending our National Banks we are not of necessity contending or arguing against the other banks. On the contrary, we claim it as one of the advantages of the National system of banks that it has conferred a new strength upon the whole complex organism of finance and banking throughout the country.

Hence it follows that there are two leading methods according to which we can conduct the defense of the National Banking system. We may either show that its assailants are attacking the financial machinery of the country, of which the National Banks are so important and so vital a part, that if the latter be seriously impaired, the former will have its equilibrium disturbed, and will lose that stability which is one of its most fundamental requisites; or, secondly, we may discuss the question from another point of view, and demonstrate that the attack on the National Banks assails the currency system, and threatens to delay indefinitely the resumption of specie payments. Either of these defenses opens the way to a long and interesting series of arguments. We shall offer a few remarks now upon the currency branch of the discussion, as it is the more popular at the present moment.

When our civil war began, the circulating medium of the country consisted almost wholly of bank-notes issued by numerous independent corporations variously organized under State legislation, of different degrees of credit, and very unequal resources, administered often with much ability, but still frequently with little skill, prudence, or integrity. The acts of Congress, then in force, prohibiting the receipt or disbursement, in the transactions of the National Government, of anything except gold and silver, and the laws of the States requiring the redemption of bank-notes in coin on demand, prevented the disappearance of gold and silver from circulation. We had then no National currency except coin; there was no general regulation of any other currency by National legislation; and no National taxation was imposed in any form on the State bank-notes. It will be interesting to trace the successive steps by which the task was achieved, which no other Government in the world has ever accomplished, of suppressing a vast system of bank-note currency, and substituting for it an issue of Government notes. The various steps in the process were as follows, and the success they secured will always constitute one of the most noteworthy parts of our financial history.

The first act authorizing the emission of notes by the Treasury Department for circulation was that of July 17th, 1861. The notes issued under this act were Treasury notes, payable on demand in coin. The amount authorized by it was \$50,000,000, and was increased by the act of February 12th, 1862, to \$60,000,000. On the 31st of December, 1861, the State Banks suspended specie payment. Until this time the expenses of the war had been paid in coin, or in the demand notes just referred

to, and, for some time afterwards, they continued to be paid in these notes, which, if not redeemed in coin, were received as coin in the payment of duties.

Subsequently, on the 25th of February, 1862, a new policy was adopted. The Government notes hitherto issued, as has just been stated, were called Treasury notes, and were payable on demand in coin. The act now passed authorized the issue of bills for circulation under the name of United States notes, made payable to bearer, but not expressed to be payable on demand, to the amount of \$150,000,000; and this amount was increased by subsequent acts to \$450,000,000, of which \$50,000,000 were to be held in reserve, and only to be issued for a special purpose, and under special directions as to their withdrawal from circulation. These notes, until after the close of the war, were always convertible into, or receivable at par for, bonds payable in coin, and bearing coin interest, at a rate not less than five per cent., and the acts by which they were authorized, declared them to be lawful money and a legal tender.

This currency, issued directly by the Government for the disbursements of the war and for other expenditures, was not regarded as an object of taxation. But on the 25th of February, 1863, the act authorizing National Banking associations was passed, in which, for the first time during many years, Congress recognized the expediency and the duty of imposing a tax upon currency. By this act a tax of two per cent. annually was imposed on the circulation of the associations authorized by it. Soon after, by the act of March 3d, 1863, a similar but lighter tax of one per cent. a year was imposed on the circulation of State Banks in certain proportions to their capital, and of two per cent. on the excess; and the tax on the National Associations was reduced to the same rates. Both acts also imposed taxes on capital and deposits, which need not be noticed here. At a later date, by the act of June 3d, 1864, which was substituted for the act of February 25th, 1863, authorizing National Banking associations, the rate of tax on circulation was continued and applied to the whole amount of it, and the shares of their stockholders were also subjected to taxation by the States; and a few days afterwards, by the act of June 30th, 1864, to provide ways and means for the support of the Government, the tax on the circulation of the State Banks was also continued at the same annual rate of one per cent., as before, but payment was required in monthly installments of one-twelfth of one per cent., with monthly reports from each State Bank of the amount in circulation. It can hardly be doubted that the object of this provision was to inform the proper authorities of the exact amount of paper money in circulation, with a view to its regulation by law.

The first step taken by Congress in that direction was by the act of July 17, 1862, prohibiting the issue and circulation of notes under one dollar by any person or corporation. The act just referred to was the next, and it was followed some months

later by the act of March 3d, 1865, amendatory of the prior Internal Revenue acts, the sixth section of which provides that every National Banking association, State Bank, or State Banking association, shall pay a tax of ten per centum on the amount of the notes of any State Bank, or State Banking association, paid out by them after the 1st day of July, 1866. The same provision was re-enacted, with a more extended application, on the 13th of July, 1866, in these words: "Every National Banking association, State Bank, or State Banking association, shall pay a tax of ten per centum on the amount of notes of any person, State Bank, or State Banking association, used for circulation, and paid out by them after the 1st day of August, 1866, and such tax shall be assessed and paid in such manner as shall be prescribed by the Commissioner of Internal Revenue." The constitutionality of this last provision has been affirmed by the Supreme Court.

At the time when the policy of taxing bank circulation was first adopted in 1863, Congress was inclined to discriminate for, rather than against, the circulation of the State Banks; but when the country had been sufficiently furnished with a National currency by the issues of United States notes and of National Bank notes, the discrimination was turned, and very decidedly turned, in the opposite direction. In deciding the question whether or not the tax of ten per cent., imposed on State Banks or National Banks paying out the notes of individuals or State Banks used for circulation, is repugnant to the Constitution of the United States, Chief Justice Chase spoke as follows in delivering the opinion of the Court:

"It cannot be doubted that under the Constitution the power to provide a circulation of coin is given to Congress. And it is settled by the uniform practice of the Government and by repeated decisions, that Congress may constitutionally authorize the emission of bills of credit. It is not important here, to decide whether the quality of legal tender, in payment of debts, can be constitutionally imparted to these bills; it is enough to say, that there can be no question of the power of the Government to emit them; to make them receivable in payment of debts to itself; to fit them for use by those who see fit to use them in all the transactions of commerce; to provide for their redemption; to make them a currency, uniform in value and description, and convenient and useful for circulation. These powers, until recently, were only partially and occasionally exercised. Lately, however, they have been called into full activity, and Congress has undertaken to supply a currency for the entire country.

"The methods adopted for the supply of this currency may be briefly explained. It now consists of coin, of United States notes, and of notes of the National Banks. Both descriptions of notes may be properly described as bills of credit, for both are furnished by the Government; both are issued on the credit of the Government; and the Government is responsible for the re-

demption of both,—primarily as to the first description, and immediately upon default of the bank, as to the second. When these bills shall be made convertible into coin, at the will of the holder, this currency will, perhaps, satisfy the wants of the community, in respect to a circulating medium, as perfectly as any mixed currency that can be devised."

Such is the judicial statement of Chief-Justice Chase, who was Secretary of the Treasury when our present currency system was founded, and to whom it owes both its existence and its chief features. In the whole of the preceding narrative we have followed as closely as possible his various statements on the history of our monetary development. From the whole we deduce three conclusions: first, that our National Banking system was designed and constructed as a system of specie-paying banks; second, that in the work of resumption our National Banks must necessarily play an important part, and that they ought to begin at once to accumulate specie in their vaults in addition to that stored up in the Treasury; third, that these and the other functions of the National Banks are so vital, and are so closely connected with the prosperity of our whole financial mechanism, that those who attack the National Banking system with a view to subvert it, are incurring the danger of retarding specie payments, and of indefinitely postponing resumption.

---

### RESUMPTION IN A NEW PHASE.

Among the conflicting expedients by which it has been of late proposed to resume specie payments there is one which seems to have been lost sight of, although, earlier in the history of our paper money, it was often suggested as a not unlikely method by which coin payments might be re-established after the country became tired of the perils, losses, and dangers of irredeemable paper money. The project referred to is the reduction of the value of our coin, so as to make the gold dollar worth no more, in intrinsic value, than the silver dollar. We some time ago received an essay from a thoughtful and experienced business man, arguing in favor of this device for resuming specie payments. His arguments were two. First he showed the advantages and practicability of this plan of resumption; and, secondly, he argued that in adopting it, the United States would simply follow out to its legitimate conclusion, a precedent which had previously been adopted, on several occasions, during its monetary history.

The recent fall in gold has revived this discussion. We are of opinion that the foundations on which this mechanism for resumption rests are not worthy of the consideration they have received. Its friends defend it by three arguments. First, they expatiate on the injustice of raising the value of the unit of money in which contracts are expressed, and the oppression such changes work to the debtor class. Secondly, they declare that the chief objects of

redemption can be obtained without perpetrating such injustice. Thirdly, they affirm that, prior to the Legal-Tender Act of 1862, the monetary history of the United States offers several precedents in favor of the project of depreciating the coin. In reply to the first two arguments, it is enough to say that they much exaggerate the evils of raising the standard of our paper money to the old level of coin, and they also ignore other evils of infinitely greater magnitude, which would be let loose upon the country if the coin standard were to be tampered with. But, even were this not the case, the objection comes too late, inasmuch as the evils referred to, if real, have now nearly reached their end, inasmuch as a very little further advance will be enough to bring our paper money to par with coin, as it has already fallen to about 13 per cent. premium. With regard to the third argument, it rests on facts which just now have a special interest.

In this argument it is affirmed that in the United States the legal-tender coin has been three times changed in its standard. The first change was made in June, 1834, when the gold coinage was reduced about 6 per cent. in value; the second change was made in 1851, when the three-cent pieces were first coined; and the third change, in 1853, when the fractional silver coinage was reduced some 6 per cent. in value. The reply is that these smaller coinages were restricted as legal tender within such very narrow limits, and for such fractional and special uses, that, practically, these laws did not operate as debasements of the coin at all.

From the first issue of coin by the Government to the year 1873, the unit of calculation and of coinage, the silver dollar, remained the same. It was always of the same intrinsic value as when first coined; whatever changes have been made to bring the other coin into more actual and just relation to it.

Such, at least, was the character of the changes of our specie currency before the passage of the late coinage law, whose provisions effected a radical change in our silver currency, which we will leave for future discussion, inasmuch as these recent changes do not enter into our present argument, which is solely concerned with the coinage changes prior to the existing paper money inflation.

When the subject of coinage was first considered by the Confederation, it was proposed to have a unit of account and of coinage much smaller than the dollar, and to employ the decimal system. Mr. Jefferson, while recommending the adoption of the decimal system, suggested a coin equal to the then existing Spanish milled dollar as the unit of value. His recommendation was adopted, and the dollar has ever since remained the same.

The first coinage was under the act of April 2, 1792, and that act provided that the coinage should be of both gold and silver, and that the relative value of the two metals should be as fifteen to one; that is, that 1 ounce of gold should be taken as the equal in value of 15 ounces of silver. By that act, "dollars or units," as they were styled, were each to contain 371 4-16 grains of pure silver, and to weigh 416 grains, according to the then standard,

which was, for silver, "1,485 parts, pure or fine," to 179 parts alloy; and eagles, "each to be of the value of 10 dollars or units," and to contain 247 4-8 grains of *pure gold*, and to weigh 270 grains, according to the then standard *for gold*, which was 11 parts pure to 1 part alloy.

Both of these precious metals were, after that, coined as money; both became lawful money, and therefore, a tender in payment of debts due in money, even if not so declared by law; just as coals, for the specified kind, are a lawful tender in discharge of contract for coal, and cotton, of a contract calling for cotton. But in the lapse of years great economic causes were set in operation, and the relation in value existing and established by Congress in this act of 1792, between the two precious metals, was lost. Owing to the increased produce of silver, and perhaps to the increased demand by the commerce of the world for gold, as well as to other causes heretofore specified, the relative value of silver and gold had so materially altered that, by 1823, the Secretary of the Treasury called the attention of Congress to the fact that gold had relatively appreciated in value. The debate upon the bill shows how anxious Congress was to get at the true relative value of the two precious metals, and to fix the coinage accordingly. Opinions as to the relative values of gold and silver ranged from 15:60 to 1, to 16 to 1. The majority of those best qualified from their pursuits to understand the subject, including the New York banks, regarded the true ratio to be as 15:62 to 1, although for several previous years it had averaged 15:80 to 1. But Congress, at the instance of the friends of metallic money, determined to adopt 16 to 1 as the relative value; partly because that seemed to be the ratio which had proved practically the most correct in the countries which had adopted it; partly because the variation from the true relation was, so small, it might safely be disregarded; and partly because it was believed that the relative appreciation of gold which had been so long going on would continue, and that the slight overvaluation of it would be thus in time corrected. By this act the eagle was reduced from 247 4-8 grains of *pure gold*, as required by the act of 1792, to 232 grains of *pure gold*, or about 6 per cent. in intrinsic value. But, so far from Congress assuming any power to materially depreciate the coinage or impair the rights of creditors, the power of Congress to make depreciated coin a legal tender was expressly disclaimed.

But, while Congress thus reduced the standard of our gold coinage, so that one hundred dollars of the new gold coins were hardly equal in intrinsic value to ninety-four dollars of the former gold coinage, yet in fact Congress did absolutely nothing to impair the obligation of contracts, or to destroy the rights of the creditor. From the beginning the debtor had the right to pay in the coinage of either of the precious metals. At first these were of equal value, and payment in either was indifferent. Gradually the gold appreciated or the silver depreciated, and then, of course, the debtor who owed \$1,000, and had \$940 of the then gold coinage,

could exchange his gold for \$1,000 in silver coin, and discharge with these his debt of \$1,000.

Following this act of June 28, 1834, Congress passed an act on the same day, conforming the value at which foreign coins were to be rated at their true intrinsic value.

In 1837 Congress fixed the standard of both gold and silver coin at nine-tenths fine; that is, nine parts of pure metal to one of alloy. By this change the *gross* weight of the dollar was reduced to  $412\frac{1}{2}$  grains, but the *fineness* was correspondingly increased, and the dollar therefore continued to contain nine-tenths of  $412\frac{1}{2} = 371\frac{1}{2}$  grains of pure silver, as provided for the dollar when first coined, and to remain, therefore, of the same intrinsic value as before. And the *gross* weight of the eagle was, by the same act, somewhat increased; but it continued to contain, however, 232 grains of *pure* gold, as provided by the act of 1834. This change in the gross weight of the silver coinage has led to the idea that it was then debased, the corresponding increase in its fineness having been overlooked.

As to later changes in the silver coinage, we find that for nearly twenty years after the passage of these laws of 1834, the relations between the precious metals remained undisturbed, so that no action by Congress was required. But the unlooked-for discoveries of gold in California disturbed again, and in a reverse direction, the relation between the two metals, and thereafter silver advanced and gold declined in relative values; so that by 1853 silver attained a marked premium over the gold coined since the act of 1834, and a scarcity of silver coin had begun to cause embarrassment. Congress, however, did not thereupon generally depreciate the silver coinage. There were many persons who urged upon Congress the necessity of appreciating the gold coinage. Instead, however, of adopting this policy, Congress authorized a token coinage. They depreciated the small silver coin. They reduced the standard coins, for parts of dollars only, about six per cent., so that two half-dollars or four quarter-dollars were no longer equal to a one-dollar piece. But these depreciated coins were restricted from being legal tender for any sum greater than five dollars in all, although the smaller silver coin of the earlier coinage remained a legal tender for any amount.

Prior to this, in 1851, Congress had established a token coinage of silver. They directed the coinage of three-cent pieces, of a fineness and weight which gave them a value of only eighty cents on the nominal dollar of these pieces. Hence the pieces of three-cent coinage were worth intrinsically only  $\frac{80}{100}$  of one silver dollar. But these pieces were only made a legal tender to the extent of thirty cents in the aggregate, and their issue was very limited, and was after a short time dropped, and, by the act of 1853 their intrinsic value was raised to the standard of that of the other fractional silver currency.

During this whole period there were changes in the copper coinage. Congress, in 1793 and 1796, reduced the weight and

the intrinsic value of the one-cent coin to accord with the increased value of copper, the planchets for which Government had to import. These cents, however, were not made a legal tender.

The interference by Government with the rights of creditors by regulations of the coin have, therefore, been, as we said, three in number: 1. By the act of 1834 a possible, but disputed and doubtful, depreciation, if of anything, of less than one per cent. 2. By the act of 1851 a depreciation of fractional silver coin (the three-cent piece) to an extent which could not, in the largest tender, exceed six cents; shortly, however, altered so that it could not exceed in the aggregate two cents. 3. By the act of 1853 a depreciation of fractional silver coinage, to an extent which could not exceed in the largest tender thirty cents.

We might pursue this argument further. But enough has been said to show that in the coinage laws, prior to the suspension of specie payments in 1862, no precedent can be found for the dangerous innovations through which resumption is by some of our theorists proposed to be realized.

---

## TWO PRINCIPLES OF USURY REFORM.

BY DR. GEORGE MARSLAND.

There are two principles according to which it is possible to reform our usury laws. We may either repeal the penalties of usury altogether, as most commercial nations have done; or we may pass a compromise measure making the penalties so light that practically it is not worth any one's while to enforce them. The second of these two plans was adopted in our National Banking law, which a recent decision has made paramount to the State usury laws so far as the National Banks are concerned. This decision of the United States Supreme Court, as we explained last month, will necessitate a change in the State usury laws, so as to make them conform in practice to the usury section of the National Banking law.

In Europe the other principle has been for the most part adopted. In the leading commercial nations, in Holland, in France, in England, and elsewhere, a uniform tendency has been exhibited to get rid of restrictions on the rate of interest. In England this reform was agitated as long ago as the close of the Napoleonic wars. In 1818, a special committee of the House of Commons, after taking voluminous evidence, reported unanimously in favor of it. The most eminent financiers, merchants, economists, and manufacturers supported repeal. Their efforts were repulsed again and again, till at length the final victory was won. On the 5th August, 1854, after thirty-six years' agitation, Parliament passed the law (17 and 18 Vict., c. 90) which wholly abolished the old penalties of the usury law, and no harm came of it any more than in Massachusetts twelve years later. Money still con-



tinues to be loaned in England on bond and mortgage at as low interest as before. In Great Britain, as in New England and at the West, the mass of needy men can borrow upon real estate on better terms wherever there is an open market, because they can deal directly with the lender instead of with usurious middle-men. The force of competition, and of the unrestricted play of supply and demand, is better than confiscation and imprisonment and fine as a means to keep down the rates for hiring money.

It has long been recognized that the growth of intelligence, of industrial activity and of capital in this country, all combine to demonstrate that a change must be made in our State legislation on the subject of usury. We showed last month that the usury penalties of many of our States are much more severe than those of the National Banking Law, and the latter statute is now the law of the land for the National Banks. Hence it follows that, under the recent decision of the Supreme Court which makes the National Usury Law paramount over that of the States, in that vast aggregate of business transactions where a National Bank is the lender the National Banks will be placed in a position of exceptional privilege over other lenders until the State Legislatures remove the abuse and rectify the evil by new and liberal legislation. In a year or two, therefore, it is reasonable to expect that a more general tendency to a reform of the usury laws will be developed throughout the country, and that a new impulse will be given to the forces which have long been at work for this reform. Another result of the decision will obviously be the prevention of a number of schemes that have been ripening since the panic, and were expected to be proposed for the purpose of reviving business and relieving the financial trouble by adopting the antiquated and always mischievous usury penalties. Thus, in Western Virginia a project has found favor, with men who ought to have known better, to punish usury with forfeiture of principal and interest. In Pennsylvania a like scheme last session won many friends, though it has uniformly been voted down by the Legislature whenever it made its appearance.

In the Legislature of the State of New York, this winter, the subject of usury reform will come up, and if we can pass a sound law, founded on enlightened principles, there is no doubt that the example of this State will have a wholesome influence in promoting sound legislation throughout the country. Already the reform is being warmly discussed in the banking and financial circles, and several different bills are proposed for this purpose. In examining and comparing these rival measures the reader must keep his attention alive to the two great principles above referred to. In our new legislation we can decide either according to the first plan, to abolish the usury penalties altogether, or we can adopt the second or compromise system of usury penalties, and make them so light that no citizen will ever find it worth his while to appeal to the courts on the subject. As the former species of legislation is the soundest in principle, and is capable of the best ap-

plication in practice, we venture to recommend to our State Legislatures to adopt it, and to pass a simple statute repealing the usury penalties altogether. The new law should, of course, continue the present rate of seven per cent. as the legal interest in the absence of a special agreement. But it should give to every citizen the right, which has long been enjoyed by a privileged few, to agree by special contract, oral or written, for the payment of any higher rate of interest, without penalty and without restriction. Such is a sketch of the usury law which we think ought to be passed in this State. If our legislators at Albany will adopt this plan of reform, their good example will doubtless be followed in other States. The immediate advantages we should gain would fall most conspicuously upon the borrowing classes. We should both give a new stimulus to the growth of capital in this country and we should place our usury legislation on the highest level yet reached by the more enlightened nations of Europe in this department of financial jurisprudence.

---

### THE STROUSBERG FAILURE.

We might almost call it the Strousberg romance; for it offers more romantic features than any failure which has disturbed the financial world for many years. Few of our countrymen who have made the tour of Europe have failed, here and there in their travels, to encounter or to hear of the great railroad millionaire, Dr. Strousberg. When his failure was announced, at the beginning of November, a panic was immediately caused, not only in Austria and Germany, but in Russia, where heretofore there has been for many years an exemption from monetary panics. His liabilities are estimated at about \$10,000,000, and his fall brought down the Commercial Loan Bank, of Moscow, which he had founded and started on a prosperous career. At the time of its stoppage this bank held deposits to the amount of \$16,000,000. Strousberg had obtained loans from the bank to the amount of \$5,000,000, on the security of hypothecated bonds and shares. The monetary panic spread throughout Russia. Credit has of late years become more expanded than formerly in Russia, and the new land banks, it is said, are some of them impaired in strength. At St. Petersburg the monetary trouble was intense, but it has since abated. Had it not been for the financial weakness incident to the recent creation in Russia of new banks, new railways and new industrial enterprises of various kinds, the shock of Dr. Strousberg's failure would not have produced so wide-spread a convulsion.

Still, a part of the violence of the panic is, no doubt, due to the bad harvest in South Russia last season. Being accompanied by low prices for wheat, it has caused a special element of trouble and depression in the Russian finances. One circumstance, illustrating the rare occurrence of panics in the dominions of the

Czar, and the consequent harshness in dealing with such disasters, is the arrest of Dr. Strousberg at St. Petersburg. He was imprisoned on summary process, although we do not learn that any specific charges of fraud were made against him, and he is not a citizen of Russia, but of Germany. As he spent ten of the earlier years of his life in this country, and has since made so considerable a figure in the railroad and financial history of Europe, it may be interesting to our readers to know something of his past history. He is of Jewish origin, his full name being Baruch Hirsch Strousberg. Born in 1823, in humble circumstances, at Neidenburg, in East Prussia, he went to London in 1835, where he was received by his uncles, who were commission agents, and was shortly afterwards baptized a member of the Church of England. Gifted with intelligence and energy, he obtained some education, and began to write for the newspapers. In 1848 he came to this country, being then 25 years of age. He gave lessons in German, but finally realized some money by buying a cargo of damaged goods and selling them at a heavy profit. With this capital he returned to London in 1858 and founded several newspapers. Six years afterwards he went to Berlin, where he was for seven years the agent of an English insurance company. In 1864 Strousberg, having made acquaintances at the British Embassy, came to know some English capitalists, with whom he contracted for the construction of the Tilsit-Insterburg Railway. Within six years Strousberg was making a dozen lines, and among them those of Roumania. He had over 100,000 workmen in his pay, and had launched out into other vast enterprises. At Hanover he established an extensive machine factory; at Dortmund and Neustadt he had smelting works and iron factories; at Antwerp and Berlin he built entire new quarters; in Prussia he bought ten estates; in Poland an entire country; in Bohemia he paid \$4,000,000 for the splendid domain of Zbirow, where he established railway carriage works which employed 5,000 workmen. Meantime he built a palace for himself in the Wilhelmstrasse at Berlin, which, in decoration, luxury and accommodation surpassed that of the Emperor himself. In it were to be found works by the first German and French artists—Delacroix, Meissonnier, Gerome, and others. Nor was his charity on a less splendid scale. In winter he caused 10,000 portions of soup to be given daily to the poor, in addition to two thousand pounds' worth of wood. When the famine broke out in East Prussia he sent whole trains laden with corn and potatoes and other food to his suffering fellow-countrymen. Heavy losses have occurred in consequence of this failure, but the view we have expressed, that the catastrophe was due to misfortune rather than to any intentional fraud, is confirmed by the announcement that at a meeting of the principal creditors a resolution was unanimously adopted that proceedings in bankruptcy should be avoided, that Strousberg should be liberated from prison, and that a private liquidation, with his personal assistance, should take place.

## THE SUEZ CANAL.

In a recent article on the relation of the Suez Canal to our foreign commerce, we showed the influence of that new route to the East in disturbing the old movements of the trade to India. Twenty years ago the concession was granted by the Khedive of Egypt, under which the Company was organized. The intention of its enthusiastic and indefatigable founder, M. de Lesseps, was to put the canal under the management of a board or syndicate, in which the United States should have a small share, and all the European commercial nations a larger or more limited interest, proportional to their commercial use of the canal. This comprehensive scheme failed of success for the simple reason that the governments in question were indisposed to unite in any such international syndicate. After twenty years' neglect, however, the scheme has been revived, and its substantial benefits are now much more likely to be realized. The financial troubles of the Khedive have compelled him to sell his shares in the Suez Company, and, as no other purchaser appeared, the shares (177,000) were sold to the English Government for four millions sterling. The details of this transaction have been much discussed, and satisfaction is expressed that England has bought so considerable an ownership in the canal. Whether other countries, which have previously kept aloof, will now purchase an interest in the Company, remains to be seen. Heretofore the French have been the chief owners of the shares. When the recent panic broke out in Turkish and Egyptian securities, the Suez Canal shares fell to 670 francs; they have since risen to 815 francs. A better illustration could not be offered of the interpretation given in the financial circles to the purchase, and its relations to the future prosperity of the canal as a dividend-paying property. The consequence has been that the shares have received a new activity at the Bourse, and a large proportion of the 400,000 shares of which the capital of the Company consists are said to have passed into the hands of speculators and capitalists in England.

The purchase by the British Government of so large an amount of the shares of the Suez Canal, and the commercial and international questions that are suggested by this change, have given a new prestige to the Company, and we have collected some details relative to its constitution and position, in addition to those given in our recent history of the enterprise. The "Compagnie du Canal de Suez" gives the following statement of all the securities issued by them. These securities or "titres" are of five different descriptions, namely: first, "actions," or ordinary shares; secondly, "delegations," or preference shares; thirdly, "bons de coupons," that is, back dividends paid in scrip, instead of money, during seven half-yearly periods in which the revenues

were insufficient; fourthly, "obligations," which are ordinary bonds or debentures; and fifthly, "bons trentenaires," or debentures repayable within thirty years. The nature and number of each of these "titres" is as follows:

*Actions.* These are 400,000 in number, of 500 francs, or £20, each, representing a capital of 200,000,000 francs, or £8,000,000. They bear annual interest of 25 francs, or £1, per share, and have claim upon 71 per cent. of the net profits derived from the canal, deducting interest, expenses of management, and a sinking fund of 5 per cent. for preference shares and debentures.

*Delegations.* These are also 400,000 in number, of 500 francs, or £20, each. They bear a fixed interest of 5 per cent. per annum, but have claim, besides, on a certain amount of the net profits, settled upon a somewhat complicated scale. It is stated that in 1869 the Khedive of Egypt possessed no less than 176,602 of these preference shares, and that he has increased his holding within the six years.

*Bons de Coupons.* The amount of these is not given. At a general meeting of the Company, on the 2d of June, 1874, it was decided that the seven unpaid half-yearly coupons should be exchanged for a single preference share of 85 francs, bearing interest at the rate of 5 per cent. per annum, and repayable in the course of forty years, commencing from 1882. The "bons de coupons" are but little dealt in, and scarcely ever appear in the Bourse quotations.

*Obligations.* These were originally 333,338 in number, of 500 francs, or £20, each. At present the number has been reduced by drawings to 320,065. The drawings take place quarterly, and form a kind of lottery, with prices allotted to the first twenty-five numbers drawn, the first getting 150,000 francs, or £6,000; the next two numbers 25,000 francs, or £1,000; the next two 5,000 francs, or £200; and the remaining twenty numbers 2,000 francs, or £80 each. Like all lottery shares, these "obligations" of the Suez Canal Company form a very popular investment.

*Bons Trentenaires.* These were issued in 1871 to the nominal number of 200,000, of 100 francs, or £4, each. Each 100 franc "bon" bears 8 francs., or 6s. 8d., interest per annum, and they are repayable to the amount of 125 francs, or £5, in annual drawings, coming to an end in 1901. The "bons trentenaires" have not as yet been issued entirely, for it is stated that only 120,000 have found subscribers, and that 80,000 remain on hand.

The quotations of Suez Canal "actions" have fluctuated from 670 to 817 francs; of "delegations" from 615 to 700 francs; and of "bons trentenaires" from 127 to 129 francs. The "obligations" were quoted 2d December at 520 francs, the "bons de coupons" at 70 francs, and the "Parts de fondateur" at 14,500 francs.

Of the purchase the London *Economist* says: "The English Government have undertaken to give £4,000,000 for 176,602 shares, of £20 each, in the Suez Canal, which belong to the Egyptian Government, and Messrs. Rothschild are to find the money—or as much of the money as the Khedive of Egypt

requires—immediately. As far as the money market is concerned, we do not apprehend it will have very much effect. Very little of the Khedive's pressing debts are in Egypt itself; most of them are in London or Paris, or elsewhere in Europe, and the £4,000,000 will be used to pay off these. The effect, as far as it goes, will be to raise the value of money here, for the foreign holders of Egyptian debt paid by this means will have the power of taking money from England. But this will be only one item in the general exchange account of the country; it will not cause a drain of gold, and therefore will not be much felt. Of the consequences to our own finances we cannot speak fully till the bargain has been fully described. It is a much more complex one than the first bare announcement would lead us to imagine. The 176,602 are part of 400,000 shares, of £20 each, constituting the capital of this Canal Company, but they have been dealt with very curiously. The Khedive wished to assist the Company in 1869 in raising money, and therefore 'cut off,' as the phrase is, the coupons for twenty-five years, and gave them to the Company. The Company then issued assignments (*délégations* is the French word, and the operation was a French operation) of these coupons which are now running. We believe these coupons carry the whole income of the shares for twenty-five years, but we cannot be quite sure, for that income is, by the constitution of the Company, dealt with in a very complex way. 1. It goes to pay five per cent. interest on the capital. 2. To pay off a certain part of these shares annually, so that in 99 years from the beginning they might be all paid off, the holders still retaining the right to dividend, however, to the end of the 99 years. 3. To pay a dividend, of which 15 per cent. goes to the Egyptian Government, 10 per cent. to the founders, 2 per cent. to the administrators, 2 per cent. to the *employés*, and the rest, or 71 per cent., to the shareholders. And we are not sure if the pledged coupons take with them more than the 5 per cent., though we believe they do. As yet the shares have never paid as much as 5 per cent., so that the question has not arisen.

"As the English Government buys shares with an income thus alienated for 25 years, it might be inferred that they could get little or nothing for that time, but we are informed that the Khedive is really to pay us 5 per cent. on our advance till we get an income from the shares. And the Khedive relinquishes also the reversion to them; the right to dividends is not to be extinguished at the end of 99 years in their case as in that of the others; they are to be perpetual, as far as the right to dividend is concerned, like English railway shares. So long, therefore, as the Khedive is able to pay five per cent., we have a good interest for our advance; and, as we have before shown, the shares are good holding property. \* \* \* \* The Khedive has now an opportunity of reforming his finances; if he does so, we need not fear any loss of money; but the degree in which we are concerning ourselves in his affairs, and the extent to

which we are 'indorsing him,' are very serious. It is easy to see, generally, that it will be said on behalf of this purchase: *First*—that it was most necessary to prevent the Suez Canal from becoming the property of any other nation; that the Khedive was selling his shares in the market, and that the highest bidder would have them. *Secondly*,—that it is necessary for our interests that our Government should have a real hold on the highway to India. Not only, it will be said, must we make sure that no one else has care of that highway, but we must ourselves have care of it. Our interests in its being always open are too vital to allow of our leaving it in the charge of others. *Thirdly*,—that this purchase secures to us the right of remonstrance with the Egyptian Government, in case it is doing anything which might hurt our interests in the canal, or impede our use of it. Before, we were 'outsiders,' like other nations who might have bought it, but now we have become part and parcel of the concern itself, and speak with authority. *Lastly*,—not only for the sake of India, but also because three-fourths of the shipping which goes through the Canal is English, we ought to have a complete control over it, and complete security that it shall not be worked in an interest adverse to us. But, then, it may be replied, that the English Government does not and cannot undertake to provide trade *routes* for the shipping of its subjects,—that if it did it would have nothing else to do,—that no present injustice has been done to English vessels, and we may wait to consider the subject till there has been one."

The *Economist* represents the opposition or Liberal party; and when Parliament assembles, the purchase will no doubt be keenly criticised. On the part of the Government, Lord Derby, the Premier, recently gave the French Ambassador in London the following account of the affair: "It was only at the beginning of the week that we knew the intentions and need of the Khedive to sell his shares. My wish, and I expressed it, was that he should keep them. But, on the other hand, he had urgent need of obtaining resources for repayments which admitted of no delay; and, on the other hand, we knew that negotiations were going on between the Société Générale and the Egyptian Government for the acquisition of those same shares. Therefore, we had either to allow the scrip to pass into other hands or to buy it ourselves. I can assure you that we have acted solely with the intention of preventing a larger foreign influence from preponderating in a matter so important to us. We have the greatest consideration for M. de Lesseps. We acknowledge that instead of opposing him in his great work we should have done better to associate ourselves with him. I deny, on behalf of my colleagues and myself, any intention of predominating in the deliberations of the Company, or of abusing our recent acquisition to force its decisions. What we have done is purely defensive. I do not think, moreover, that the Government and English subjects are proprietors of the majority of shares. I said some time ago in the

House of Lords that I would not oppose an arrangement which would place the Suez Canal under the management of an international syndicate. I will not propose this, but I in no way withdraw my words."

The facts above given are all that have as yet transpired in regard to the change in the ownership of the Suez Canal. The reader will see that the old proposition of the International Syndicate is revived. Whether the project will be carried into effect or not is doubtful. As to the share which the various countries should take in the enterprise, it ought of course to bear some proportion to the commercial use made of the canal by the ships of each nation. The report of the Company for last year gives some information on this point. It tells us that since the canal was opened in 1869, 5,236 vessels had passed through the canal. Of these ships the United States owned 10; Great Britain owned 3,602; France, 416; Austria, 303; Italy, 254; Turkey, 131; Holland, 123; Egypt, 100; Germany, 95; Spain, 63; Russia, 36; Portugal, 22; Denmark, 17; Sweden, 15; Belgium, 9; Greece, 7; Japan, 4; Burmah, 3; and Peru, Tunis and Zanzibar, 1 each. As to the cost of construction it was reported at the end of 1873 to be 437,810,637 francs, or \$87,562,127.

---

#### FINANCIAL ASPECTS OF THE PRESIDENT'S MESSAGE.

Among the multitude of economic laws by which nations grow in material wealth, one of the chief and most familiar is frugality, or saving. Thus the annual growth of capital is often by popular writers and by economists said to depend on the annual savings of the people. Another equally well-known method by which nations are commonly said to advance in wealth is by adding to their productive power. Benjamin Franklin and Bishop Berkeley were among the first writers who gave prominence to this principle, which was not illustrated with his usual felicity by Adam Smith, but is now recognized by all our best political economists among the fundamental principles of all material growth and economic health. President Grant gives prominence to this principle in the opening paragraphs of his message, in which he traces some of the causes of the wonderful prosperity of the United States during the last century. A hundred years ago, he says, we were a scattered few,—but three millions of us on this huge continent; now we are more than forty millions, a populous, wealthy nation,—strong with every element of national wealth and force in its full tide of development. A more inspiring or appropriate use it is impossible to suggest of the great scientific principle, that nations grow in wealth not only by their thrift, but also by extending, diffusing and exalting the activity of their powers of material production. The President illustrates this view as follows:



"In this centennial year of our National existence as a free and independent people, it affords me great pleasure to recur to the advancement that has been made from the time of the colonies, 100 years ago. We were then a people numbering only 3,000,000. Now we number more than 40,000,000. Their industries were confined almost exclusively to the tillage of the soil. Now manufactories absorb much of the labor of the country. Our liberties remain unimpaired; the bondsmen have been freed from slavery. We have become possessed of the respect, if not the friendship, of all civilized nations. Our progress has been great in all the arts, in science, agriculture, commerce, navigation, mining, mechanics, law, medicine, etc., and in general education the progress is likewise encouraging. Our thirteen States have become thirty-eight (including Colorado, which has taken the initiatory steps to become a State), and eight Territories, including the Indian Territory and Alaska, and excluding Colorado,—making a territory extending from the Atlantic to the Pacific. On the south we have extended to the Gulf of Mexico, and in the west from the Mississippi to the Pacific. One hundred years ago the cotton-gin, the steamship, the railroad, the telegraph, the reaping, sewing, and modern printing machines, and numerous other inventions of scarcely less value to our business and happiness, were entirely unknown.

"In 1776 manufactories scarcely existed, even in name, in all this vast territory. In 1870 more than 2,000,000 persons were employed in manufactories, producing more than \$2,100,000,000 of products, an amount annually nearly equal to our National debt. From nearly the whole of the population of 1776 being engaged in that one occupation of agriculture, in 1870 so numerous and diversified had become the occupations of our people, that less than 6,000,000 out of more than 40,000,000 were so engaged. The extraordinary effect produced in our country by a resort to diversified occupations has built a market for the products of fertile lands distant from the sea-board, and the markets of the world. The American system of locating various and extensive manufactories next to the plow and the pasture, and adding connecting railroads and steamboats, has produced in our distant interior country a result noticeable by the intelligent parts of all commercial nations. The ingenuity and skill of American mechanics have been demonstrated at home and abroad in a manner most flattering to their pride. But for the extraordinary genius and ability of our mechanics, the achievements of our agriculturists, manufactures and transportations throughout the country would have been impossible of attainment. The progress of the miner has also been great. Of coal our production was small. Now many millions of tons are mined annually. So with iron, which formed scarcely an appreciable part of our products half a century ago. We now produce more than the world consumed at the beginning of our National existence. Lead, zinc and copper, from being articles of import, we may expect to be large exporters of in the near future. The development of gold and

silver mines in the United States and Territories has not only been remarkable, but has had a large influence upon the business of all commercial nations. Our merchants in the last hundred years have had a success, and have established a reputation for enterprise, sagacity, progress and integrity, unsurpassed by the people of older nationalities. This 'good name' is not confined to their homes, but goes out upon every sea and into every port where commerce enters. With equal pride we can point to our progress in all of the learned professions."

After stating that the receipts from customs for the fiscal year ending June 30, 1874, were \$163,103,833.69, and for the fiscal year ending June 30, 1875, \$157,167,722 35, showing a decrease for the last fiscal year of \$5,936,111.34; that the receipts from internal revenue for the year ending June 30, 1874, were \$102,409,784 90, and for the year ending June 30, 1875, were \$110,007,493.58, showing an increase of \$7,597,708.68, the President passes on to his suggestions about specie resumption. "Too much stress cannot," he says, "be laid upon this question, and I hope Congress may be induced at the earliest day practicable to insure the consummation of the act of the last Congress at its last session, to bring about specie resumption on and after the first day of January, 1879, at the furthest. It would be a great blessing if this could be consummated even at an earlier day. Nothing seems to me more certain than that a full, healthy and permanent reaction cannot take place in favor of the industries and financial welfare of the country until we return to a measure of values recognized throughout the civilized world. While we use a currency not equivalent to this standard—the world's recognized standard—specie becomes a commodity, like the products of the soil, the surplus seeking a market wherever there is a demand for it. Under our present system we should want none, nor would we have any were it not that customs dues must be paid in coin, and because of the pledge to pay the interest of the public debt in coin. The yield of precious metals would flow out for the purchase of foreign productions and leave the United States hewers of wood and drawers of water, because of wiser legislation on the subject of finance by the nations with whom we have dealings. I am not prepared to say that I can suggest the best legislation to secure the end most heartily commended. It will be a source of great gratification to me to be able to approve any measure of Congress looking effectively toward securing resumption. Unlimited inflation would probably bring about specie payments more speedily than any legislation looking to the redemption of legal tenders in coin; but it would be at the expense of honor; the legal tenders would have no value beyond settling present liabilities, or, properly speaking, repudiating them. They would buy nothing after debts were all settled."

In these statements General Grant shows that he holds fast his sound principles on the currency question. To carry out the

law of January, 1875, for resumption in 1879, he proposes that Congress shall consider the propriety of further legislation. To give point to this recommendation he makes the following practical suggestions:

"There are a few measures which seem to me important in this connection, and which I commend to your earnest consideration: A repeal of so much of the Legal-Tender act as makes these notes receivable for debts contracted after a date to be fixed in the act itself—say not later than the 1st of January, 1877. We should then have quotations at real values, not fictitious ones. Gold would no longer be at a premium, but currency at a discount. A healthy reaction would set in at once, and with it a desire to make the currency equal to what it purports to be. The merchants, manufacturers, and tradesmen of every calling could do business on a fair margin of profit, the money to be received having an unvarying value. Laborers and all others who work for a stipulated pay or salary would receive more for their income, because extra profits would no longer be charged by the capitalist to compensate for the risk of a downward fluctuation in the value of the currency. *Second:* That the Secretary of the Treasury be authorized to redeem, say not to exceed \$2,000,000 monthly of legal-tender notes, by issuing in their stead a long bond bearing interest at the rate of 3.65-100 per cent per annum, of denominations ranging from \$50 to \$1,000 each. This would in time reduce the legal-tender notes to a volume that could be kept afloat without demanding redemption in large sums suddenly. *Third:* That additional power be given to the Secretary of the Treasury to accumulate gold for final redemption, either by increasing the revenue, curtailing expenses, or both. It is preferable to do both, and I recommend that a reduction of expenditures be made wherever it can be done without impairing Government obligations or crippling the due execution thereof."

As the success of these measures depends so much on an ample revenue, the President suggests the re-imposition of the tea and coffee taxes. This same proposition is also made in the report of the Secretary of the Treasury, and it will meet with general approval. In discussing this and other means for replenishing the Treasury, the Message continues: "One measure for increasing the revenue is the restoration of the duty on tea and coffee. These duties would add probably \$18,000,000 to the present amount received from imports, and would in no way increase the prices paid for those articles by the consumers. The articles are the products of countries collecting revenue from exports, and as we, the largest consumers, reduce the duties, they proportionally increase them. With this addition to the revenue, many duties now collected, and which give but an insignificant return for the cost of collection, might be remitted, and to the direct advantage of consumers at home. I would mention those articles which enter into manufactures of all sorts. All duties paid upon such articles go directly to the cost of the article when

manufactured here, and must be paid for by the consumers. These duties not only come from the consumers at home, but act as a protection to foreign manufacturers of the same completed articles in our own and distant markets. I will suggest or mention another subject, being the problem of how to enable the Secretary of the Treasury to accumulate balances. It is to devise some better method of verifying claims against the Government than at present exists through the Court of Claims, especially those claims growing out of the late war. Nothing is more certain than that a very large percentage of the amounts passed and paid are either wholly fraudulent or are far in excess of the real losses sustained. The large amount of losses proven on good testimony, according to existing laws, by affidavits of fictitious or unscrupulous persons, to have been sustained on small farms and plantations, are not only far beyond the possible yield of those places for any one year, but, as every one knows who has experience in tilling the soil, and who has visited the scenes of these spoliations, are in many instances more than the individual claimants were ever worth, including their personal and real estate."

The remarks on the Court of Claims receive illustration from the report of the Attorney-General, who states that the claims pending in this Court amount to \$53,630,249, and within the last four years the judgments rendered in favor of claimants amounted to \$11,553,047. Of the 3,458 causes disposed of since 1863, 503 were decided in favor of the Government, and 2,955 in favor of the claimants. Last year judgments were rendered against the Government for \$2,416,625, and up to December of the present year for \$2,991,021. He has strong reason to believe that in certain cotton cases, involving very large amounts, proofs have been given of the taking of cotton by our troops which was never taken at all, and which fact could have been proven at an earlier date before the Union soldiers were widely scattered and difficult to find. The Court is embarrassed in getting at the truth by the fact that the testimony is all taken by depositions, generally at a great distance from Washington, and never in the presence of the Court—mostly in such places and with such delays as to make it difficult for the Government to be represented by competent and trustworthy counsel. He has every reason to commend the industry and fidelity of this tribunal, but when testimony is thus prepared no vigilance of the Court can protect the Government. He recommends that the taking of the depositions be attended to by officers of this department, and that laws be passed to enable the Court, aided by the Attorney-General, to increase the safeguards against improper testimony by devising a different mode of taking it, and to force old cases to an early trial or irrevocably off the calendar. He proposes, after consultation with the Court, to submit a bill to apply a remedy to the evil. This measure, and the necessity for it, we must leave for future examination.

## THE TREASURY REPORT.

Among the topics in the report of the Secretary of the Treasury which have attracted the most attention, there are three which we shall chiefly notice in this article: the deficit in the revenue; the refunding of the debt; and the resumption of specie payments. The first is quite a recent feature in our Treasury reports, and is due partly to the panic of 1873 and partly to other causes. The second and third points, though not new, have something of the interest and the force of novelty, as we shall presently see.

With regard to the deficit in the budget, it amounts to a smaller sum than was anticipated. The net receipts of the Treasury for the fiscal year were \$288,000,051, and the net expenditures \$274,623,392. The balance, \$13,376,658, was applicable to the sinking fund, but this fund demanded \$31,096,545 as the full contribution. Hence it appears that the deficit was about eighteen millions, or about five millions less than Mr. Bristow estimated it in his report a year ago. He now estimates that for the present fiscal year the receipts will be \$304,000,000 and the expenditures \$269,265,000, so that the balance will be \$34,735,000. As this is rather more than the sinking fund will require (\$34,063,377), no deficit is expected next year in this respect; therefore the prospect with which we look forward to the new fiscal year is more cheering than for a year or two past.

With regard to the refunding of the debt, it has been a prominent subject in the reports of successive Secretaries of the Treasury for several years past. Mr. Bristow announced last year that he had made a contract with the Syndicate for the negotiation of \$178,548,300 of the new fives. That negotiation, as we lately announced, has been completed. The Secretary gives a complete but brief account of the work, the success of which is generally regarded in the financial circles with much satisfaction. He says: "The refunding of the National debt, authorized by the acts of July 14, 1870, and January 20, 1871, has been continued. The contract which was entered into July 28, 1874, and which is fully set forth and explained in the last annual report, was renewed January 29, 1875, the contracting parties being Messrs. August Belmont & Co., of New York, on behalf of Messrs. N. M. Rothschild & Sons, of London, England; Messrs. Drexel, Morgan & Co., of New York, on behalf of Messrs. J. S. Morgan & Co., of London, England; and Messrs. J. & W. Seligman & Co., of New York, on behalf of Seligman Brothers, London, England. The conditions of the contract were slightly modified, the contracting parties being allowed one-half of one per cent. commission, and binding themselves to defray all expenses incurred in transporting five per cent. bonds to London, and six per cent. bonds, United

States coin coupons, and gold coin, from London to Washington, besides the expenses of preparing the new bonds. Under this agreement the contracting parties have subscribed for \$122,688,550, the balance of 'New Fives' then remaining unnegotiated; and the Secretary now has the pleasure of announcing to Congress that the funding of the five hundred millions of six per cent. bonds into those bearing five per cent. interest has been accomplished, thereby saving an annual interest to the Government of five million dollars.

"The success which has attended the refunding of \$178,548,300 of the National debt during the last sixteen months, with the steady improvement of the National credit, induces the belief that the remainder of the six per cent. bonds can be refunded, within a reasonable time, in accordance with the provisions of the acts before mentioned. The attention of Congress is, however, called to the fact that, by the terms of the authorizing act, the bonds to be issued at the rate of four and one-half per cent. are redeemable at any time after the expiration of fifteen years from the date of their issue. Bonds most easily placed on the market, which are most sought for by investors, and considered in all respects the most valuable, are those having a long period to run. Taking into consideration the fact that but little inducement is offered in the amount allowed as commissions for placing the United States loans, compared with that paid by other governments, it is thought important to give these bonds all the elements of popularity that may be possible; and the Secretary, therefore, recommends that an amendment be made to the act of July 14, 1870, which shall extend the time of redemption of such bonds to thirty years from the date of their issue."

We have not space to do full justice to Mr. Bristow's lucid exposition of the resumption question. He begins by pointing out the relations of paper inflation to the present depression of trade. That depression, though not due exclusively to our paper money, has received from inflation many of its worst features. This fruitful theme he elaborates with much care in the report. Thus he says: "The depression of business and general contraction of values which followed the financial panic of 1873 have continued to a greater or less degree in all parts of the country. Similar financial convulsions have occurred in other countries, and their effects are now being felt to a degree as great, perhaps, as in this country. These disastrous disturbances have been brought about in our own country by over-trading, over-credit, and excessive enterprise of a speculative character, stimulated by too great abundance of promises to pay, existing in the form of currency not based upon, or convertible into, the only actual money of the world and of the Constitution, gold and silver. Other commercial countries, which have suffered and are now suffering from financial depression, have felt the influence of like causes, while in some of them the temptation to carry prosperous times to excess has, as has often happened before, led to over-production, and that superfluity of trade and credit which

must inevitably, sooner or later, be followed by a collapse, and a corresponding period of depression. Although there are gratifying indications of increased activity in certain branches of business in the United States, it must be admitted that confidence has not yet been restored to the extent necessary to bring about a general revival, or to put the trade and industries of the country upon a basis of activity and permanent prosperity. Nor is it reasonable to expect that this will be done until there shall be a nearer approach to resumption of specie payment, and consequent improvement in the character of the currency. The constant disturbance of exchange and fluctuation of values, the uncertainties of business, the want of confidence between individuals, corporations, and communities, which all experience proves to be the inevitable result of the use of a medium of exchange possessing no intrinsic value, representing no considerable amount of labor in its production, and not convertible into that which is recognized as money throughout the commercial world, are considerations which should claim the attention of every thoughtful representative of the people. However rapid may be our increase in population, wealth, and material strength, we cannot take the rank as a commercial or business people to which we are entitled by superior natural advantages, and the productive energies of our population, or attract to us the surplus capital of the world, so long as we have fluctuating standards of value, and such uncertainty in our fiscal legislation as makes the assembling of Congress and our frequent elections occasions of anxiety and apprehension, not only with the holders of our securities abroad, but with business men at home.

"Great Britain has kept the value of her pound sterling substantially unvarying for two hundred years, and, in consequence of this steadiness, it has become the basis of the transactions, not only of British commerce and trade, but of all the world. In all civilized countries, Government negotiations with foreign money lenders are made upon this basis; and, as a general rule, the only foreign bills current all over the world are those which are expressed in pounds sterling payable in London, which city thus becomes the great center where a true measure of property and debts can be found; and hence, the commerce of the world revolves around it, and pays tribute to its commercial standard. With an unsteady and varying currency, having no fixed relation to the money of the world, but always much below its par value, we can never obtain that commercial independence to which our great resources and active population entitle us. Every branch of industry and all classes of people are alike interested in the restoration of a sound and stable circulating medium, the laborer and producer no less than the merchant, bondholder, and banker. The present unequal and fluctuating currency oppresses and injures laborers and producers, who constitute a great majority of our people, far more than it affects injuriously dealers in money."

The Secretary next proceeds to refute the argument that paper

currency stimulates trade. He says: "The claim that the large issue of inconvertible paper currency has been beneficial to producers is, perhaps, sufficiently disproved by reference to the reports of sales of leading articles of produce, such as wheat, corn, and pork, before and since the issue of such currency. The most trustworthy statistics show that such articles were sold in New York during the five years from 1870 to 1874, inclusive, for about the same price that they brought in the five years from 1856 to 1860, inclusive. On the other hand, it is equally certain that the farmer has paid increased prices, during the period from 1870 to 1874, for articles imported for consumption, upon all of which the difference between gold and currency must be paid by the consumer, who pays in the latter. Thus the producer of domestic articles is constantly subjected to loss in exchanging his products for such articles as coffee, tea, sugars, and other imported goods, which enter into daily consumption. In this connection it should be borne in mind that a greater volume of currency is required for the transaction of business when it consists of inconvertible paper, which does not circulate abroad, than when the currency in general use is gold, which flows through every artery of commerce. \* \* \* Apparent but fictitious prosperity has often followed large issues of irredeemable paper currency, but no result is more certain to flow from a given cause, than disaster and financial distress to follow a period of inflation of business and credit caused by excessive issues of paper currency. The philosophy which teaches by example, as well as the deductions of reason, establishes conclusively that there is no effective remedy for the evil but the removal of its cause."

Having thus prepared the way for his legal argument, Mr. Bristow gives a succinct view of the various acts of Congress as interpreted by the Supreme Court of the United States. He sums up his argument as follows: "In view of these solemn and repeated pledges, it seems idle to resort to the consideration of elementary principles of finance to prove the evils of an irredeemable paper currency. In the face of such pledges, disregard of which would bring National dishonor, and serious, if not irreparable, injury to the public credit, it can hardly be necessary to discuss questions of expediency, or to point out the ills which the experience of the civilized world shows must follow a violation of well-known laws of political economy. It is among the first and most important functions of Government to give to its people a sound and stable currency, having a fixed relation to the standard of values in general use among nations. The true matter with which Government has to do is not so much a question of volumes as of soundness and stability of the currency. When it has established a currency of fixed and stable value, having a known relation to that of other powers, and furnishing a uniform medium of exchange, the volume may and should be left to be determined by the wants of trade and business. Natural causes, aided by individual effort and enterprise, will regulate the volume



of currency far more wisely and with greater safety to business, than acts of Congress imposing artificial limits, subject to increase or diminution at every session."

This part of the report concludes with three propositions. The first is that Congress should abolish the legal-tender powers of the greenbacks 1st January, 1877; secondly, that the greenbacks be funded into 4 per cent. long bonds; thirdly, it urges the accumulation of coin in the Treasury. Mr. Bristow then proceeds to give an account of his proceedings in coining gold under the provisions of the act of 14th January, 1875. He says: "The diminished use of silver coin in various European countries, and the increasing production of our silver mines, would appear to render the present a very favorable time for procuring supplies of bullion for the manufacture of silver coin to be used in the redemption of the fractional currency. So much of the act of January 14, 1875, as relates to the purchase and coinage of silver for redemption of fractional currency, has been put into partial operation, and is now being executed as rapidly as the exigencies of the case will admit. Since the passage of the act, 8,243,642 ounces of silver bullion have been purchased, at an average price of 111 4-10 cents per standard ounce. The mints have been put into active operation, and the aggregate amount of silver coin now in the Treasury is \$10,000,000. The Secretary has been urged to begin the work of resumption by issuing silver coin in redemption of outstanding currency, and it has been insisted that, under the first section of the act, he has no discretion, but must issue the silver coin as fast as it can be turned out from the mints. While the act requires the coinage to proceed as rapidly as practicable, it does not, in terms, require the Secretary to issue it at once; nor does it fix the period of time when the issue must begin. For obvious reasons, it has been, and yet is, impracticable to put or keep silver coin in circulation. The present depreciation of currency below gold precludes the probability that silver would remain in circulation, and, therefore, it has been deemed impracticable to issue it for the present, or until, by the nearer approach of, or greater preparation for, general resumption, there shall be such an appreciation of the circulating currency of the country as would give assurance that the silver coin to be issued would not be hoarded for shipment abroad, or converted into plate and jewelry, or reduced to bullion."

As the accumulation of a large balance of coin, with a view to specie resumption, or specie payment, in 1879, will require a larger revenue, Mr. Bristow recommends that the tea and coffee duties be re-imposed, and that there should be a retrenchment of all needless expenditure. With a view to enable Congress to make the needful reform, he reviews the customs, duties, and the internal revenue. He says: The receipts from customs for the year ending June 30, 1874, were \$163,103,833.19, and at the corresponding date of 1875 they were \$157,167,722.35, a decline of \$5,936,111.34. The receipts for the first quarter of the current

fiscal year were \$44,233,626.25, while for the corresponding period of last year they were \$46,651,200.10, showing a decrease of \$2,417,573.85. For the months of October and November, 1875, the receipts were \$23,936,950.23, and for the same months of last year they were \$22,755,811. The effect upon the customs receipts' of the act of February 8, 1875, imposing duties on certain articles therein enumerated, and making additions to the free list, cannot yet be stated with certainty. Nor is it possible, at present, to determine with accuracy the effect of the act of March 3, 1875, restoring the ten per centum of duties repealed by the act of June 6, 1872. The receipts of internal revenue for the fiscal years ending June 30, 1874 and 1875, compare as follows:

<i>Sources.</i>	1874.	1875.	<i>Increase.</i>	<i>Decrease.</i>
Spirits .....	\$ 49,444,089 85	\$ 52,081,991 12	\$ 2,637,901 27	.....
Tobacco .....	33,242,875 62	37,303,461 88	4,060,586 26	.....
Fermented liquors..	9,304,679 72	9,144,004 41	.....	\$ 160,675 31
Banks and Bankers	3,387,160 67	4,097,248 12	710,087 45	.....
Penalties, &c.....	364,216 34	281,107 61	.....	83,108 73
Adhesive stamps..	6,136,844 64	6,557,229 65	429,385 01	.....
Back taxes under re- pealed laws...	764,880 14	1,080,111 44	315,231 30	.....
Total.....	\$102,644,746 98	\$110,545,154 23	\$8,144,191 29	\$ 243,784 04

The whisky frauds are next referred to, as are also certain changes made in the collection districts, by which 56 of these districts have been abolished and consolidated, and greater efficiency as well as economy secured. The recent prosecutions are noticed as follows in the report: "Besides the institution of criminal proceedings, civil suits have been brought upon the bonds of officials and of distillers; distilleries and spirits have been seized as forfeited to the United States for violations of law; and, wherever the evidence warranted, assessments have been made against distillers for delinquent taxes, and placed in the hands of collectors with instructions to collect by process of law. Urgent applications have been presented for the compromise of many of the cases, but it has been deemed better for the interest of the Government to allow all of them to take the usual course in the courts; hence, all such applications have been denied. The Secretary considers it important to the future collection of the revenue, that all parties engaged in persistent and systematic frauds shall be visited with the severest penalties of the law. To this end instructions have been repeatedly given to officers of internal revenue, and others in the service of this Department, to render all proper assistance to the officers of the Department of Justice in the prosecution of the cases now pending, and in the detection and punishment of such guilty parties as have not yet been indicted. It is deemed of especial importance that officers of the Government who have betrayed their trust, and engaged in frauds on the revenue, shall be brought to speedy and condign punishment. Those who are intrusted with official duties and responsibilities should be given to know that the Government will not deal lightly with them when

they prove to be guilty of corruption in office. Taxpayers cannot be expected to deal honestly with Government when its own trusted officers are permitted to participate in frauds on the revenue, without incurring swift and certain punishment. The highest guaranty for the faithful collection of revenue is in the vigilance and integrity of officials. This guaranty can be secured only by careful selection in the first instance, by retaining in office such as have proved their efficiency and honesty, and by prompt dismissal and vigorous prosecution of such as have been found faithless."

Mr. Bristow closes with an account of the important work of redeeming the National Bank notes. This work was formerly done in the Treasurer's office, but its cardinal importance led to its being placed under the special direction of the Secretary by the act of 3d March, 1875. We observe in some quarters a disposition to underestimate the importance of redemption, and to regard it as intended for the comparatively trivial purpose of renewing the bank-notes as they become worn out. No such egregious error is found in the Secretary's report; nor will it ever, we trust, receive the least countenance in any of the Departments at Washington. The work of redeeming the National Bank notes is one of such fundamental importance, that in the absence of it our National Banking system would lack one of its chief safeguards, and would the sooner be likely to succumb before the attacks of its enemies. We find from the official report that there have been redeemed, under the the act of June 20, 1874, circulating notes of National Banks amounting to \$130,322,945. Of this amount, \$15,213,500 were forwarded to the respective associations by which the notes were issued, and \$115,109,445, unfit for use, delivered to the Comptroller of the Currency for destruction. The aggregate expense of this redemption was \$290,965.37, each bank paying its share thereof, in proportion to its circulating notes so redeemed.

On the whole, we may say that in the three points referred to above, the Secretary's report is very gratifying. The deficit in the Treasury, of which so much has been said for the last two or three years, bids fair now to be got rid of; for, the surplus for the current year, as we have shown, is expected to cover all the expenses of the Government, and to provide for the sinking fund besides. Secondly, as to the funding of the debt, the work begun by Mr. Boutwell in 1869 has been successfully pushed a step forward, and the prospects are that this fiscal year will not close without further progress being made, for which the way seems now to have been fully opened. Finally, the dreaded and difficult task of resumption has been advanced by an important stage. From what appears, the formidable predictions and apprehensions which obstructed our early progress do not seem likely to be verified; and some persons are already predicting that we shall find ourselves within sight of the goal of resumption sooner than the most sanguine of us would have dared to expect two years ago.

## REPORT OF COMPTROLLER OF THE CURRENCY.

The National Banking system is passing through an important phase of its history, and the official report of its movements and growth has consequently a new interest. The Comptroller states that during the year one hundred and seven banks have been organized, with an aggregate capital of \$12,104,000, and \$4,794,180 of circulation; of this number two were gold banks, with \$200,000 capital and \$120,000 of circulation. Five banks have failed, with an aggregate capital of \$1,000,000; and thirty-eight banks, with a total capital of \$3,920,000, have gone into voluntary liquidation by votes of shareholders owning two-thirds of their capital stock.

The following table exhibits the resources and liabilities of the banks at the close of business on the first day of October, 1875—the date of their last report—the returns from New York, Boston, Philadelphia, and Baltimore, from the other redemption cities, and from the remaining banks of the country, being tabulated separately.

	<i>New York City.</i> 48 banks.	<i>Boston, Phila- delphia, and Baltimore.</i> 97 banks.	<i>Other reserve cities.*</i> 91 banks.	<i>Country banks.</i> 1,851 banks.	<i>Aggregate.</i> 2,087 banks.
<b>RESOURCES.</b>					
Loans and discounts.....				\$499,419,352	\$980,222,951
On U. S. bonds on demand.....	\$4,934,674	\$722,109	\$310,860		
On other stocks, bonds, &c., on demand.....	50,179,384	14,784,940	9,595,886		
Payable in gold.....	3,454,276	22,000	26,590		
On single-name paper, with- out other security.....	16,255,100	9,222,315	8,694,494		
All other loans.....	127,266,299	149,633,581	85,701,091		
Overdrafts.....	352,388	95,747	450,310	3,570,039	4,468,484
Bonds for circulation.....	24,806,100	52,220,700	29,623,650	363,671,250	370,321,700
Bonds for deposits.....	650,000	550,000	2,577,000	10,320,200	14,097,200
U. S. bonds on hand.....	7,856,550	593,700	1,943,300	3,596,400	13,989,950
Other stocks and bonds.....	10,319,933	3,481,071	3,810,951	15,893,090	33,505,045
Due from reserve agents.....		17,410,199	14,968,908	53,322,152	85,701,259
Due from other National Banks	13,693,007	8,882,222	6,626,166	17,827,374	47,028,769
Due from other banks and bankers.....	1,850,630	1,372,972	2,329,229	6,410,938	11,963,769
Real estate, furniture, and fix- tures.....	9,455,469	5,900,048	5,185,108	21,826,023	42,366,648
Current expenses.....	1,770,932	823,096	907,926	4,339,259	7,841,213
Premiums.....	1,404,044	602,179	814,684	5,849,184	8,670,091
Checks and other cash items.....	2,207,649	967,070	859,429	8,724,725	12,758,873
Exchanges for Clearing-House.	50,467,798	19,722,724	4,952,342		75,142,864
Bills of other National Banks..	1,800,970	3,830,406	2,044,741	10,852,720	18,588,837
Fractional currency.....	282,821	585,221	217,875	1,509,714	2,595,631
Specie.....	4,955,625	606,965	932,706	1,559,034	8,050,330
Legal-tender notes.....	17,040,091	13,692,980	12,928,635	32,797,028	76,458,724
U. S. certificates of deposit....	37,400,000	7,805,000	2,705,000	900,000	48,810,000
Five per ct. redemption fund....	1,072,044	2,326,188	1,266,741	11,568,219	16,233,192
Due from U. S. Treasurer.....	282,300	842,911	325,198	2,003,359	3,453,768
<b>Totals.....</b>	<b>\$389,758,084</b>	<b>\$316,696,344</b>	<b>\$199,798,820</b>	<b>\$975,956,060</b>	<b>\$1,882,209,308</b>

\* The reserve cities, in addition to New York, Boston, Philadelphia, and Baltimore, are Albany, Pittsburgh, Washington, New Orleans, Louisville, Cincinnati, Cleveland, Chicago, Detroit, Milwaukee, Saint Louis, and San Francisco.

LIABILITIES.					
Capital stock.....	\$68,500,000	\$80,326,985	\$48,155,905	\$307,546,879	\$504,829,769
Surplus fund.....	22,515,490	23,158,578	13,773,320	74,908,688	134,356,076
Undivided profits.....	11,943,200	5,371,320	4,661,877	30,988,557	52,964,954
National Bank notes outstanding.....	18,309,317	43,900,147	25,476,540	230,664,375	318,350,379
State Bank notes outstanding.....	90,590	138,344	33,605	509,809	772,348
Dividends unpaid.....	228,460	1,709,621	132,562	1,932,892	4,003,535
Individual deposits.....	173,494,399	123,151,126	74,699,409	295,234,685	664,579,619
U. S. deposits.....	297,411	246,344	1,121,543	4,842,233	6,507,531
Deposits of U. S. disbursing officers.....	38,366	15,603	879,346	3,337,881	4,271,106
Due to National Banks.....	69,039,515	29,508,205	17,034,010	14,228,953	129,810,683
Due to other banks and banks.....	25,176,336	7,265,173	10,903,958	6,573,064	49,918,531
Notes and bills re-discounted.....	175,747	175,747	817,623	4,261,083	5,254,453
Bills payable.....	125,000	1,729,151	1,809,122	2,926,961	6,900,234
Totals.....	\$389,758,084	\$316,696,344	\$199,798,820	\$975,956,060	\$1,882,209,308

The total number of National Banks hitherto organized has been 2,307. Of these, forty have failed, and one hundred and seventy-five have gone into voluntary liquidation, leaving 2,092 in existence on November 1, 1875. Of these, nine are gold banks, located in California, with a capital of \$4,700,000, and circulation of \$2,630,000.

The next important topic of the report is that of the circulation. The working of the recent legislation on this subject is described as follows: "Section 5,177 of the Revised Statutes limited the issue of National Bank notes to \$354,000,000, of which amount \$150,000,000 was required by the Act of March 3, 1865, to be apportioned among the associations organized in the States and Territories, and in the District of Columbia, according to their representative population; and \$150,000,000 to associations organized in the several States and Territories, and in the District of Columbia, having due regard to the existing banking capital, resources and business of such State, District, and Territory. The remaining \$54,000,000 was, by the Act of July 12, 1870, authorized to be issued to associations in States and Territories having less than their proportion of circulation under the apportionment above described. The same act authorized the withdrawal of \$25,000,000 from banks organized in those States which had received more than their proportion, and its redistribution to banks located in States which had received less than their proportion of circulation. The redistribution of circulation, as contemplated by this act, was found to be impracticable, for reasons given in previous reports of the Comptroller; and a subsequent act, approved June 20, 1874, provided for a system of redemption of National Bank notes at the Treasury Department, and a redistribution of \$55,000,000 of circulation, under an apportionment made on the basis of population and wealth as shown by the returns of the Census of 1870. The same act authorized the deposit by any National Bank of lawful money with the Treasurer, in sums of not less than \$9,000, for the purpose of retiring circulating notes, and the withdrawal by them of bonds held as security for such notes. Under this provision a larger amount of circulation has been voluntarily surrendered than was needed to supply applications therefor, and hence the withdrawal of circulation from one

portion of the country for the purpose of re-issue in another has proved to be unnecessary.

"The greatest amount of circulation outstanding at any time prior to January 14 last, was on December 1, 1874, when it reached \$352,394,346; and this amount is \$1,605,654 less than that then authorized by law. During the period intervening between the passage of the Act of June 20, 1874, and that of January 14, 1875, sixty banks were organized, with an aggregate capital of \$5,369,000, and to which circulation was issued amounting to \$3,753,580. Additional circulation, to the amount of \$980,920, was also issued to National Banks previously organized, making a total issue of \$4,734,500 during that time. Within the same period circulation to the amount of \$2,767,232 was redeemed and destroyed, without re-issue; the actual increase being therefore but \$1,967,268. The following table exhibits, by States, the number of National Banks organized, with their capital and circulation, together with the circulation issued to banks previously organized, and the circulation voluntarily returned and destroyed, from June 20, 1874, to January 14, 1875.

States and Territories.	No. of banks.	Circulation issued.			Circulation retired.		
		Capital.	New banks.	Old banks.	Under act of June 20, 1874.	Liquidating banks.	Total.
Maine.....	1	\$50,000	\$45,000	.....	\$45,000	\$1,000	\$1,000
Massachusetts.....	1	100,000	30,000	.....	30,000	.....	.....
Rhode Island.....	.....	.....	.....	.....	\$82,000	.....	82,000
Connecticut.....	.....	.....	.....	.....	27,000	.....	27,000
New York.....	.....	.....	.....	.....	729,750	165,463	895,213
Pennsylvania.....	1	200,000	45,000	.....	45,000	21,040	47,140
Maryland.....	.....	.....	.....	.....	26,100	1,165	1,165
Dist. of Columbia.....	.....	.....	.....	\$138,000	138,000	65,700	65,700
Virginia.....	.....	.....	.....	74,300	74,300	73,055	73,055
West Virginia.....	.....	.....	.....	18,000	18,000	9,595	9,595
North Carolina.....	.....	.....	.....	58,500	58,500	.....	.....
South Carolina.....	.....	.....	.....	.....	62,200	.....	62,200
Georgia.....	.....	.....	.....	.....	12,400	1,380	13,780
Florida.....	2	100,000	45,000	.....	45,000	.....	.....
Alabama.....	.....	.....	.....	45,000	45,000	.....	.....
Louisiana.....	.....	.....	.....	.....	41,900	120,500	162,400
Texas.....	2	200,000	61,500	.....	61,500	.....	.....
Arkansas.....	.....	.....	.....	.....	.....	500	500
Kentucky.....	10	1,694,000	1,319,400	121,700	1,441,100	5,700	5,700
Tennessee.....	4	250,000	180,000	.....	189,000	51,500	56,499
Missouri.....	.....	.....	.....	.....	4,999	30,194	470,054
Ohio.....	4	300,000	211,500	113,710	325,210	41,000	72,245
Indiana.....	12	1,075,000	895,500	48,570	944,070	17,170	132,670
Illinois.....	8	450,000	364,480	104,320	468,800	232,310	87,313
Michigan.....	4	200,000	120,600	83,320	203,920	63,700	5,500
Wisconsin.....	1	50,000	27,000	22,500	49,500	24,800	13,152
Iowa.....	6	350,000	261,000	63,000	324,000	8,100	26,940
Minnesota.....	1	50,000	36,000	99,000	126,000	9,000	3,430
Kansas.....	1	100,000	30,600	.....	30,600	2,100	7,600
Nevada.....	.....	.....	.....	.....	.....	3,165	3,165
Colorado.....	2	200,000	72,200	.....	72,000	.....	.....
Utah.....	.....	.....	.....	.....	43,600	4,606	48,206
Montana.....	.....	.....	.....	.....	.....	4,000	4,000
Total.....	60	\$5,369,000	\$3,753,580	\$980,920	\$4,734,500	\$1,975,319	\$2,767,232

"The act of January 14, 1875, repealed all laws which limited the aggregate amount of National Bank circulation, and also the laws (above referred to) which provided for its withdrawal and redistribution. It further authorized the unlimited issue of circulation to banks organized, or to be organized, under existing laws,

but made it the duty of the Secretary of the Treasury to retire legal-tender notes to the extent of 80 per cent. of the additional National Bank notes issued, until their amount should be reduced to \$300,000,000."

Between the date of this act and November 1 following, eighty-nine banks were organized, with an aggregate capital of \$10,654,100 and \$3,750,680 of circulation. Additional circulation, amounting to \$7,235,995, was also issued to National Banks organized previous to the date of the act last mentioned, making a total issue, since January 14, of \$10,986,675. Legal-tender notes, amounting to \$8,763,756, have, under the provisions of the law, been withdrawn from circulation and destroyed, leaving the amount of such notes outstanding on November 1, 1875, \$373,236,244. During the same period \$14,570,305 of National Bank notes were redeemed by the Treasurer, and \$2,690,918 surrendered to this office, none of which has been re-issued. The actual decrease, therefore, in National Bank circulation has, since January 14, 1875, been \$6,774,548. The total circulation issued to National Banks under the acts of June 20, 1874, and January 14, 1875, was, on November 1 of this year, \$15,721,175, during which time \$20,028,455 of their notes were redeemed or surrendered and destroyed; the decrease in total circulation during this period being \$4,307,280. The whole amount of legal-tender notes deposited with the Treasurer under the act of June 20, 1874, by banks now in operation, for the purpose of retiring circulation, was \$27,552,329, which amount was deposited by 241 banks. There was also deposited by banks in liquidation \$6,210,175, to which must be added a balance of \$3,813,675 remaining from deposits made by liquidating banks prior to that date; making a total of \$37,576,179 thus deposited. Deducting from this sum the amount of circulating notes which, during that period, was redeemed and destroyed and for which no re-issue was made, there remained on November 1, of legal-tender notes on deposit with the Treasurer for the purpose mentioned, \$20,238,642.

The Comptroller gives the following summary of the operation of the acts of June 20, 1874, and of January 14, 1875, down to November 1 of the present year:

National Bank circulation outstanding June 20, 1874.....	\$349,894,182
Issued from June 20, 1874, to January 14, 1875....	\$4,734,500
Redeemed and retired between same dates.....	2,767,232
Increase from June 20, 1874, to January 14, 1875.....	1,967,268
Amount outstanding January 14, 1875.....	\$351,861,450
Redeemed and retired from Jan. 14 to Nov. 1, 1875..	\$14,570,305
Surrendered between same dates.....	2,690,918
Total redeemed and surrendered.....	\$17,261,223
Issued between same dates.....	10,986,675
Decrease from January 14 to November 1, 1875.....	6,274,548
Amount outstanding November 1, 1875.....	\$345,586,902

Balance of legal-tender notes on deposit in the Treasury June 20, 1874, to redeem circulating notes of insolvent and liquidating banks.....	\$ 3,813,675
Deposited from June 20, 1874, to November 1, 1875, to redeem National Bank circulation.....	33,762,504
Total .....	\$ 37,576,179
Circulation redeemed by Treasurer between same dates, without re-issue .....	17,337,537.
Legal-tender notes remaining on deposit Nov. 1, 1875.....	\$ 20,238,642
Legal-tender notes retired under act of January 14, 1875.....	\$ 8,763,756
Decrease of National Bank notes from June 20, 1874, to November 1, 1875.....	4,307,280

It is too early as yet to form any positive opinion as to the effects which the recent legislation is capable of producing in the National Banking system organization. The system is too large, too widely extended, and too powerful for the full influence of the new laws to be seen until they have had time to develop the changes they have begun to set in motion. Meanwhile we ought to make as few further changes in the law as possible. Among the consequences looked for from the laws enacted last session, two or three are important. One is the anticipated decentralization of the Banking system, so that the banks of the interior will not depend so closely upon New York as the center of the Banking system. Another consequence is the expansion of the credit system of the country. The opening of the door of Free Banking was expected to cause a multitude of banks to start up in all parts of the country and to organize under the new Banking law. This rapid creation of new banks has not been realized, nor has the inflation of the currency which was expected taken place as yet to the extent predicted.

The bonds held as security for the bank circulation are reported as follows:

Loan of Feb., 1861 (81's) .....	February 8, 1861.....	6 per ct.	\$3,675,000
Loan of July & Aug., '61 (81's) ..	July 17 and August 5, 1861.....	6 per ct.	51,059,350
Loan of 1863 (81's).....	March 3, 1863.....	6 per ct.	28,046,700
Five-twenties of March, '64.....	March 3, 1864.....	6 per ct.	179,000
Five-twenties of June, '64.....	June 30, 1864.....	6 per ct.	4,656,200
Five-twenties of 1865.....	March 3, 1865.....	6 per ct.	8,272,700
Consols of 1865.....	do. ....	6 per ct.	6,536,650
Consols of 1867.....	do. ....	6 per ct.	10,282,100
Consols of 1868.....	do. ....	6 per ct.	2,981,000
Ten-forties of 1864.....	March 3, 1864.....	5 per ct.	97,974,150
Funded loan of 1881.....	July 14, '70, and Jan. 20, '71.....	5 per ct.	141,072,050
Pacific Railway bonds.....	July 1, '62, and July 2, '64....	6 per ct.	12,814,512
Total.....			<u>\$367,549,412</u>

The securities now on deposit consist of \$128,503,212 of six per cent. and \$239,046,200 of five per cent. bonds. The six per cents are diminishing under the influence of the recent calls of five-twenties. The amount of six per cent. bonds now held is \$17,478,438 less than on November 1, 1874, and the five per



cent. bonds have also been reduced \$393,900 during the same period. Since October 1, 1870, there has been an increase of five per cent. bonds, amounting to \$143,103,650, and a decrease of six per cent. bonds of \$118,388,088. Since October, 1865, the increase in five per cent. bonds has been \$162,193,600, and the decrease of six per cent. bonds \$147,747,338. The Comptroller gives the following table of the number and amount of National Bank notes, of each denomination, which have been issued and redeemed since 1863, and the number and amount outstanding on November 1, 1875:

Notes.	Number.			Notes.	Amount.		
	Issued.	Redeemed.	Outstanding.		Issued.	Redeemed.	Outstanding.
\$1..	18,046,176	14,092,126	3,954,050	\$18,046,176	\$14,092,126	\$3,954,050	
2..	6,039,752	4,816,623	1,223,129	12,079,504	9,633,246	2,446,258	
5..	47,055,184	24,926,771	22,128,413	235,275,920	124,633,855	110,642,065	
10..	17,450,507	7,608,532	9,801,975	174,105,070	76,085,320	98,019,750	
20..	5,296,064	2,004,464	3,291,600	105,921,280	40,089,280	65,832,000	
50..	884,165	381,037	503,128	44,208,250	19,051,850	25,156,400	
100..	645,838	299,428	346,410	64,583,800	29,942,800	34,641,000	
500..	18,476	14,471	4,500	9,238,000	7,235,500	2,002,500	
1,000..	5,530	5,048	482	5,530,000	5,048,000	482,000	

95,401,692 - 54,148,500 - 41,253,192 \$ 668,988,000 \* 325,811,977 \$ 343,176,023  
Add for fragments of notes lost or destroyed..... 7,205

\$ 343,183,228

\* Deduct from the amount redeemed \$ 7,205.30 for payments of notes lost or destroyed.

One of the most interesting statements of the report is its elaborate tables of the reserve. It appears that the National Banks held, on October 1, 1875, \$26,400,000 more of reserve than would have been required prior to the act of June 20, 1874, and \$82,400,000 more than is required under that act. The amount of cash reserve held was \$148,500,000, which sum exceeds by \$25,000,000 the amount required prior to June 20, 1874, and is \$43,300,000 greater than that required under the present act.

As to the dividends upon capital during the last year, they were less than ten per cent., while the ratio of dividends to capital and surplus was less than eight per cent. These figures compare with the returns of former years as follows:

Half- years in	No. of banks.	Capital. \$	Surplus. \$	Dividends. \$	Net earnings. \$	Div. to cap. & capital. p. c.	Div. to surp. p. c.
1869..	1,481	401,650,802	82,105,848	21,767,831	29,221,184	5.42	4.50
1870..	1,571	416,366,991	84,118,210	21,479,095	28,996,934	5.16	4.27
1870..	1,601	425,317,104	91,630,620	21,080,343	26,813,885	4.96	4.08
1871..	1,605	428,699,165	94,672,401	22,205,150	27,243,162	5.18	4.24
1871..	1,693	445,999,264	98,286,591	22,125,279	27,315,311	4.96	4.07
1872..	1,750	450,693,706	99,431,243	22,859,826	27,502,539	5.07	4.16
1872..	1,852	465,676,023	105,181,942	23,827,289	30,572,891	5.12	4.17
1873..	1,912	475,918,683	114,257,288	24,826,061	31,926,478	5.22	4.21
1873..	1,955	488,100,951	118,113,848	24,823,029	33,122,000	5.09	4.09
1874..	1,967	489,510,323	123,469,859	23,529,998	30,544,120	4.81	3.84
1874..	1,971	489,938,284	128,364,039	24,929,307	30,036,811	5.09	4.03
1875..	2,007	493,568,831	131,560,637	24,750,810	29,136,007	5.01	3.96
1875..	2,047	497,864,833	134,123,649	24,317,785	28,800,217	4.88	3.85

To show the comparative profits of National Banks in different sections of the country, we give from the report the subjoined table:

## RATIO OF DIVIDENDS TO CAPITAL FOR SIX MONTHS ENDING—

Geographical Divisions.	1872.	1873.		1874.		1875.	
	Sept. 1. p. c.	Mch. 1. p. c.	Sept. 1. p. c.	Mch. 1. p. c.	Sept. 1. p. c.	Mch. 1. p. c.	Sept. 1. p. c.
N. E. States.....	4.9	5.1	5.1	4.9	4.9	4.9	4.8
Middle States.....	4.9	5.1	5.0	4.8	5.0	5.0	4.8
Southern States.....	5.3	5.2	4.6	4.3	4.8	4.3	4.4
West'n States and Territories.	5.9	5.5	5.5	5.0	5.6	5.4	5.3
United States.....	5.1	5.2	5.1	4.8	5.1	5.0	4.9

## RATIO OF DIVIDENDS TO CAPITAL AND SURPLUS.

N. E. States.....	4.0	4.1	4.1	3.8	3.9	3.8	3.8
Middle States.....	3.9	4.0	3.9	3.7	3.8	3.9	3.7
Southern States.....	4.9	4.7	4.2	3.9	4.3	3.8	3.9
West'n States and Territories.	4.9	4.5	4.5	4.1	4.5	4.4	4.2
United States.....	4.2	4.2	4.1	3.8	4.0	4.0	3.9

## PROFITS OF THE LONDON JOINT-STOCK BANKS, 1872-1874.

	1874.	1873.	1872.
I.—Capital paid up and surplus.....	£12,500,000	£12,100,000	£11,300,000
II.—Cash deposits.....	96,900,000	94,000,000	90,000,000
III.—Business profits.....	1,673,000	1,849,000	1,646,000
Equal on cash deposits to per cent...	34s. 4d.	40s. 3d.	36s. 5d.
IV.—Expenses.....	643,600	644,000	604,700
Equal on cash deposits to per cent...	13s. 2d.	14s. 0d.	13s. 4d.
V.—Net business profits.....	1,029,400	1,204,800	1,041,800
Equal on cash deposits to per cent...	21s. 2d.	26s. 3d.	23s. 1d.
VI.—Net business profits equal on capital paid up to.....	Per cent. 11¼	Per cent. 13¼	Per cent. 12
Add interest on capital and surplus invested.....	5	5	5
Net profit on the year.....	16¼	18¼	17

It has been contended by the enemies of our Banking law that under it the share-holders of the National Banks realize immense profits, and that foreign institutions do not earn as much. Two questions are here suggested. First, how much per cent. do our National Banks really divide upon their capital every year? Secondly, how much is divided by the Banks of foreign countries? To the former inquiry a full answer is given in the foregoing tables, which show that throughout the United States the National Banks on the average of the last three years have paid dividends to their stockholders amounting to about eight per cent. on the capital and surplus. Whether this amount of dividend is moderate or excessive, we may safely leave to any candid observer to judge. What is certain, is that the chief banks in Europe earn a great deal more. To illustrate the immense profits of some of the foreign institutions, we give from the London *Economist* the subjoined statement of the comparative profits of the ten principal joint-stock banks of London from 1872 to 1874. The figures for 1875, when published, will show some falling off, in consequence of the late failures in England.

An important part of the report is devoted to the insolvencies and failures of National Banks, and to the losses caused thereby to the country. The Comptroller says: "The losses to creditors from the failures of banks prior to 1863 cannot be even approximately estimated, the only accessible data having reference solely to losses upon circulation." Mr. J. R. McCulloch says that "the destruction of country banks in England has upon three different occasions, in 1792, in 1814-'15-'16, and in 1825-'26, produced an extent of bankruptcy and misery that has never perhaps been equaled except by the Mississippi scheme in France. In 1826, forty-three commissions of bankruptcy were issued against country bankers, and from 1809 to 1830 no less than 311." Elliot's Funding System, page 1176, gives a list of fifty-five banks in the United States, with an aggregate capital of \$67,036,265, which failed in 1841. The total bank capital in that year, as stated by Elliott, was \$317,642,692, and the failures therefore represented more than one-fifth of the entire bank capital of the country. It is further mentioned that in nearly every instance the capital invested in such failures was wholly lost. Of these fifty-five banks, twenty-five had been organized under the free-banking system of New York, which was adopted in 1838, and represented a capital of \$3,327,965; and eleven were organized under the safety-fund system, with a capital of \$3,000,000. The failures in Pennsylvania represented \$45,711,000 of capital, including the United States Bank of Pennsylvania, with a capital of \$35,000,000. The failures in Ohio represented \$2,377,169, in Illinois \$3,446,125, and in the city of New Orleans \$4,708,652 of capital. Corresponding facts respecting the State Banks of this country in subsequent years, and especially in connection with the panic of 1857, will be remembered. Since the organization of the National Banking system in 1863, and down to October 1, 1875, thirty-eight National Banks have failed, with a total capital of \$9,011,100, and with circulation amounting to \$5,874,893. The experience of this country, previous to the organization of the National Banking system, has shown that in twenty years an amount equal to its whole banking circulation was lost in the hands of the people—the loss by bills of broken banks alone being computed to have been at the rate of five per cent. per annum. There has been no loss whatever upon the circulation of the National Banks, and no loss to the billholder can arise so long as the present laws shall remain in force. The total amount of claims proved against all of the insolvent National Banks is \$14,672,106. Dividends amounting to \$8,292,877 have been paid upon these claims; and it is estimated that the total loss to their creditors since the organization of the system in 1863, will not exceed \$3,985,000. There has already been paid upon the total amount of proved claims an average of fifty-six and one-half per cent. Six banks in New York city and one in Brooklyn have failed, with an aggregate capital of \$3,000,000; and three of those in New York, with a capital of \$1,200,000, have paid their depositors in full, the amount so paid being \$1,332,031. The bank in Brooklyn, which failed with \$1,191,380 due to de-

positors, has paid to that class of its creditors 96 per cent. in dividends, amounting to \$1,143,725. The whole amount of claims of the depositors of the seven banks mentioned is \$4,482,568, upon which \$3,878,755 have been paid, being an average dividend of eighty-six and one-half per cent. The total amount of losses of depositors of National Banks in New York and Brooklyn is estimated at \$246,130, or five and two-fifths per cent. upon the amount of claims proved. There have been no losses by failures of National Banks in any of the other principal cities, except in Chicago, New Orleans, and Washington. One bank only has failed in the New England States, and the total loss to creditors of that institution is but \$1,379. The loss to all creditors of National Banks in the Middle States is estimated at \$701,401, and in the Western States at \$841,729. The largest proportion of loss has been in the Southern States, where business has continued unsettled throughout the entire period since the organization of the system; the losses in those States being estimated at \$2,439,994 upon \$6,638,074 of liabilities. The whole number of banks which have failed, with their location and capital, claims proved and dividends paid, together with the estimated loss, is as follows:

<i>States.</i>	<i>No. of banks.</i>	<i>Capital.</i>	<i>Claims proved.</i>	<i>Dividends.</i>	<i>Estimated loss.</i>
Connecticut .....	1 .	\$60,000 .	\$68,986 .	\$67,606 .	\$1,379
New York .....	12 .	3,501,100 .	5,049,430 .	4,251,207 .	432,684
Pennsylvania .....	3 .	550,000 .	1,055,264 .	669,660 .	368,717
Illinois .....	3 .	800,000 .	1,001,816 .	128,922 .	593,310
Ohio .....	1 .	100,000 .	144,775 .	50,671 .	43,432
Indiana .....	2 .	100,000 .	206,998 .	46,611 .	84,825
Iowa .....	1 .	100,000 .	205,256 .	140,258 .	64,998
Kansas .....	1 .	100,000 .	55,329 .	24,898 .	.....
Utah .....	1 .	150,000 .	76,366 .	11,455 .	38,183
Nevada .....	1 .	250,000 .	169,812 .	135,850 .	16,981
District of Columbia .....	2 .	700,000 .	2,254,458 .	1,022,487 .	687,707
Virginia .....	3 .	700,000 .	1,342,252 .	501,618 .	754,852
Tennessee .....	1 .	100,000 .	376,932 .	65,335 .	311,597
Alabama .....	1 .	100,000 .	288,932 .	101,126 .	158,913
Mississippi .....	1 .	50,000 .	33,110 .	11,588 .	18,210
Arkansas .....	1 .	50,000 .	15,142 .	15,142 .	.....
Louisiana .....	3 .	1,600,000 .	2,327,248 .	1,048,443 .	508,715
Total .....	38 .	\$9,011,100 .	\$14,672,106 .	\$8,292,877 .	\$3,984,503

In each of ten States in the above table there was a failure of one bank only, the aggregate capital of these ten banks being one million dollars. In twenty-two States and Territories, including all the New England States except Connecticut, with New Jersey, Delaware, Maryland, Kentucky, Missouri, Michigan, Wisconsin, and Minnesota, there have been no failures. The few failures of National Banks, and the comparatively small proportion of loss which has resulted to their creditors, from this cause, may, in great measure, be attributed to the beneficial restrictions of the act, under which a large amount of surplus has accumulated since the organization of the system, and which surplus is a perpetual and increasing fund to which losses and bad debts may be

charged. The following table exhibits the amount and increase of the surplus fund to the present time :

<i>Date.</i>	<i>No. of banks.</i>	<i>Amount of surplus.</i>	<i>Semi-annual increase.</i>
July, 1865.....	1,294	31,303,566	22,640,255
Jan., 1866.....	1,582	43,000,371	11,696,805
July, 1866.....	1,634	50,151,992	7,151,621
Jan., 1867.....	1,648	59,992,875	9,840,883
July, 1867.....	1,636	63,232,811	3,239,936
Jan., 1868.....	1,642	70,586,126	7,353,315
July, 1868.....	1,640	75,840,119	5,253,993
Jan., 1869.....	1,628	81,169,937	5,329,818
June, 1869.....	1,619	82,218,576	1,048,639
Jan., 1870.....	1,615	90,174,281	7,955,705
June, 1870.....	1,612	91,689,834	1,515,553
Dec., 1870.....	1,648	94,705,740	3,015,906
June, 1871.....	1,723	98,322,204	3,616,464
Dec., 1871.....	1,790	101,573,154	3,250,950
June, 1872.....	1,853	105,181,943	3,608,789
Dec., 1872.....	1,940	111,410,249	6,228,306
June, 1873.....	1,968	116,847,455	5,437,206
Dec., 1873.....	1,976	120,961,268	4,113,813
June, 1874.....	1,983	126,239,308	5,278,040
Dec., 1874.....	2,027	130,485,641	4,246,333
June, 1875.....	2,076	133,169,095	2,683,454

"The great increase in this fund during the years 1865 and 1866 was largely owing to the conversion, in those years, of State institutions into National Banks; but prior to the organization of this system there was not, that I am aware, any provision of law requiring banks to carry any portion of their net earnings to a surplus fund. The act provides not only that a National Bank shall, before the declaration of a dividend, carry one-tenth part of its net profits of the preceding half-year to its surplus fund, until the same shall amount to twenty per centum of its capital, but that losses and bad debts shall be deducted from its net profits before any dividend shall be declared. It further provides that all debts due to an association on which interest is due and unpaid for a period of six months, unless the same are well secured and in process of collection, shall be considered bad debts within the meaning of the law. And this provision is construed to include stocks and bonds upon which interest is past due, as well as promissory notes."

As we have frequently demonstrated, one of the chief safeguards of our banking system consists in the arrangements for publicity, which are superior, in some respects, to those adopted in any foreign system of banking. We regret that the Comptroller's report, although replete with elaborate information on other topics, does not enter more fully into this important practical department. Among the facts which the public wish to know are those which concern the duties and efficiency of the National Bank Examiners, who are a very important class of officers, and their work for the past three years well merits to be set forth before Congress in a special report on "the past and present safeguards of the National banking system in their practical operation."

## A CENTURY OF FINANCE IN THE UNITED STATES.

BY J. S. GIBBONS.

## FIRST PERIOD. FRANKLIN—CONTINENTAL MONEY.

The financial history of the United States began with the creation of paper money to meet the expenses of the war with Great Britain. The colonies were without any other resource. Their separation from the mother country deprived them of all income from taxes and commerce. They had no Treasury, and no credit. The proposition to issue paper money is generally attributed to Doctor Franklin. It had been used in Pennsylvania in 1723, and, Franklin said, "had given new life to business, promoted greatly the settlement of the new lands, whereby the colony was greatly increased in inhabitants." It was a case of necessity, not of choice. "However fit a particular thing may be for a particular purpose," said Franklin, "wherever that thing is not to be had, or not to be had in sufficient quantities, it becomes necessary to use something else, the fittest that can be got, in lieu of it. Having no legal shillings, the necessity of illegal ones fixes them upon the public." It was only as an unavoidable necessity that the people of the colonies resorted to the issue of paper money. So far from these observations of Franklin furnishing any reason for its adoption after the country has grown rich, they are a direct apology for its use even in the extreme circumstances described.

The first emission of the paper subsequently known as "Continental money," was in the month of June, 1775. Up to August, 1776, fourteen millions were issued; and this amount circulated at the par of specie until January, 1777, when it was quoted at \$1.25 for \$1 in silver. The following synopsis shows the progressive decline of it from that date, and its current value in silver at the time of issue. But it is to be observed that the whole volume sunk to the extreme rate reached at any specified time:

<i>Date of Emission.</i>	<i>Amount.</i>	<i>Deprecia- tion.</i>	<i>Value in Silver.</i>
1775-6.....	\$14,000,000	....	\$14,000,000
1777.....	5,000,000	\$2.66	1,879,700
".....	1,000,000	3'	333,333
1778.....	10,000,000	4'	2,500,000
".....	5,000,000	4.50	1,111,111
".....	24,000,100	5'	4,800,020
".....	26,500,200	6'	4,416,700
1779.....	24,447,620	8'	3,055,952
".....	10,000,320	10'	1,000,032
".....	5,000,160	17'	294,127
".....	25,000,380	20'	1,250,019
".....	25,000,360	24'	1,041,681
".....	5,000,180	30'	166,673
".....	20,050,680	38.50	520,796
	<hr/> \$200,000,000		<hr/> \$36,370,144

In September, 1779, twenty dollars of the paper money would buy no more than \$1 of silver. "Congress," says Jefferson, "alarmed at the consequences which were to be apprehended should they lose this resource altogether, \* \* yet thought it would be worth while to submit to the sacrifice of 19 out of 20 dollars, if they could thereby stop its further depreciation. They therefore published an address in which they renewed their original declarations that this paper money should be redeemed at dollar for dollar. They proved the ability of the States to do this, and that their liberty would be cheaply bought at this price. The declaration was ineffectual. No man received the money at a better rate; on the contrary, in six months more (by March, 1780) it had fallen to 40 for 1. Congress then tried an experiment of a different kind. Considering their former offers to redeem this money at par, as relinquished by the general refusal to take it but in progressive depreciation, they required the whole to be brought in, declared it should be redeemed at its present value of 40 for 1, and that they would give the holders new bills, reduced in their denomination to the sum of gold or silver which was actually to be paid for them. This effort was as unavailing as the former. It continued to circulate and to depreciate till the end of 1780, when it had fallen to 75 for 1."

Then it ceased altogether to circulate in the States north of the Potomac. In Virginia and North Carolina it continued a year longer, when it stood at 1,000 for 1. "Then," says Jefferson, "it expired without a groan. Universal congratulations took place on seeing this gigantic mass, whose dissolution had threatened convulsions which should shake their infant Confederacy to its center, quietly interred in its grave."

A few people raised an outcry on the occasion, loudest of whom were foreigners who had failed through extravagance or bad management, and who sought to cover their fault by exhibiting among their assets large masses of the dead money (by the bushel or the barrel), which they had bought at 5,000 dollars for 1 dollar in silver.

It was estimated that an equal amount to that authorized by Congress, viz.: \$200,000,000, had been issued by the several States. Allowing the same depreciation as that offered by Congress for its redemption (40 for 1), the actual cost of the two masses was about 72 million dollars, specie value. The State emissions were assumed to be part of the common debt, to be redeemed at the same rate.

"It will be asked," says Jefferson, "how will the two masses of Continental and State money have cost the people of the United States 72 million dollars, when they are to be redeemed now with about 6 million? I answer that the difference, being 66 million, has been lost on the paper bills, separately, by the successive holders of them. Every one through whose hands a bill passed, lost on that bill what it lost in value during the time it was in his hands."\*

\* There is an apparent discrepancy in these figures, which can be reconciled only by supposing the rate of redemption to have been different from that stated. It is not material.

No part of our financial history has been so imperfectly understood as that which relates to the Continental money. It was agreeable, no doubt, to a class of British writers to propagate any account which reflected discredit upon the Americans, who had dismembered their empire. Chiefly to this source is to be ascribed the attempt to fix the brand of National repudiation on the United States. A fair scrutiny must lead any candid mind to the conclusion that the Federal Government, in the final redemption of the Continental money, approached as near to exact justice as the nature of the case allowed. The original disbursement was at the current value of specie, which governed the cost of all supplies and munitions. In the transactions of trade, the profit on sales may be presumed to have balanced the loss by depreciation; and in any event, the real losers were not the present holders of the money at the time of redemption. There is an even probability that every fair holder received all that was justly due to him. Losses resulting from purchase at the extreme rates quoted by Mr. Jefferson, for purposes of speculation or fraud, furnish no ground for charging the Federal Government with bad faith toward its creditors. By a law passed in 1791, any residue of the bills was made fundable at \$100 for \$1; but the sum to be obtained for them was so small that nobody was tempted to collect them.

SECOND PERIOD. MORRIS—HAMILTON—GALLATIN; 1780 TO 1811.

The void caused by the disappearance from circulation of the Continental money was partly filled by payments from the military chest of the French army, then coöperating with the United States in the war with Great Britain; also by the disbursements of the British army for such supplies as it could obtain. The American army was without any "chest," other than the private purse of Robert Morris, a patriotic and wealthy citizen of Philadelphia, who placed his entire fortune at the service of the country. As *Superintendent of the Public Finances* he originated the plan of a National Bank with the title "Bank of North America," which was laid before Congress in May, 1780, and approved by that body. The capital was to be \$10,000,000. The circulating bills of the institution were made a *legal tender*, and receivable for all taxes, duties, and debts due to the United States. Its charter was made perpetual. Opportunely, a French frigate arrived at Boston with about \$470,000 of specie, which was intended as part of the capital; but the urgent necessities of the Government absorbed half of it before the bank was organized. The other half went into the stock; and the institution, with Robert Morris as President, began business in December, 1781. Small as was the capital paid up—only \$400,000 in all—"such was its happy and immediate influence on the public finances, and on commercial concerns in general, that it may be justly doubted whether, without its seasonable aid, the revolutionary struggle for independence could have been brought at all to a satisfactory termination."\*

\* Goddard.



It may be granted that the establishment of the Bank of North America, at a juncture when our last available resources were exhausted, might seem to justify even a higher estimate of its present importance. It is not by the magnitude, merely, of events, that the greatest ends are gained, but by their timeliness. The Bank of North America acted as the fiscal agent of the Government until 1789, when the Treasury Department was created; but meanwhile its shareholders accepted a charter from the State of Pennsylvania, which was in some respects dissonant with that granted by Congress. The whole subject was, therefore, necessarily re-opened when the Treasury Department was organized, and its affairs placed in the hands of Alexander Hamilton, who was specially instructed by the House of Representatives, August 9, 1789, "to prepare and report such further provision as may, in his opinion, be necessary for establishing the public credit."

In his report to Congress, Hamilton said concerning the Bank of North America: "The aid afforded to the United States by this institution during the remaining period of the war was of essential consequence; and its conduct towards them since the peace has not weakened its title to their patronage and favor. So far its pretensions to the character in question are respectable; but there are circumstances which militate against them; and considerations which indicate the propriety of an establishment on different principles. The Directors of this bank, on behalf of their constituents, have since accepted and acted under a new charter from the State of Pennsylvania, materially variant from their original one; and which so narrows the foundation of the institution as to render it an incompetent basis for the extensive purposes of a National Bank."

The report of the Secretary closed with a proviso "that if the Bank of North America shall come forward with any propositions which have for their object the ingrafting upon that institution the characteristics which shall appear to the Legislature necessary to the due extent and safety of a National Bank, there are, in his judgment, weighty inducements to giving every reasonable facility to the measure. \* \* The incorporation or union here contemplated may be effected in different modes, under the auspices of an act of the United States, if it shall be desired by the Bank of North America, upon terms which shall appear expedient to the Government."

The shareholders of the Bank of North America having finally resolved to adhere to their local connections, Congress passed an act February 25, 1791, incorporating the first Bank of the United States with a capital of \$10,000,000. The measure was opposed in the House of Representatives on legal grounds. President Washington, therefore, did not approve the act without consulting his constitutional advisers. These were the Attorney-General, and the Secretaries of State, War, and of the Treasury. They were equally divided in opinion; whereupon the President gave his casting vote in its favor, and signed the bill. This was the first

indication of a certain financial policy on the part of the Government. The influence exerted by it both on private and public credit was commensurate with the success of the bank as a commercial institution. The stock paid an average yearly dividend of  $8\frac{1}{2}$  per cent. through the whole term of its charter, and returned an extra premium to the shareholders on final liquidation. The Government owned 5,000 shares, of which it sold 2,493 in 1796 and 1797 at a premium of 25 per cent.; 287 at 20 per cent.; and in 1802 the remaining 2,220 at an advance of 45 per cent., making together, exclusively of the dividends, a profit of \$721,160 to the United States. Gratifying as this must have been to the stockholders, it was yet a minor consideration compared with the general standing and prestige derived from it to the nation at large. "It is now a well-known historical fact," said an able writer in 1831, "that in the infancy of our Republic we were but little respected by foreign nations, and by some scarcely acknowledged, until we had established a sound and efficient National system of finance." This system, of which the bank was the main pillar, consisted of methodical and laboriously wrought plans of revenue and liquidation, embracing every contingency to which our general economy was subject, and pointing, with admirable clearness and precision, the way of effective and thorough organization of all the elements of National wealth and power. For a masterly elucidation of the various problems connected with every important phase of this subject, the reader is referred, in addition to that of December, 1790, to Hamilton's several reports on the Sinking Fund, the Mint, the combination of the public debt with the capital of the bank, the plan of stock redemption, the assumption of the State debts, and especially his second and last report, of January 16, 1795, on the eve of his retirement from the Treasury. The scope of this masterly and profound document may be inferred from the opening sentence of it, addressed to the Senate as follows:

"The President of the United States,\* with that provident concern for the public welfare which characterizes all his conduct, was pleased in his speech to the two Houses of Congress, at the opening of the present session, to invite their attention to the adoption of a definite plan for the redemption of the public debt, and to the consummation of whatever may remain unfinished of our system of public credit, in order to place that credit as far as may be practicable on grounds which cannot be disturbed, and to prevent that progressive accumulation of debt which must ultimately endanger all Governments."

In view of possible contingencies which "serve to promote the accumulation of debt by leaving that which exists without adequate provision for its reimbursement," the Secretary observes that, "There can be no more sacred obligation on the public agents of a nation than to guard, with provident foresight and inflexible perseverance, against so mischievous a result. True patriotism and genuine policy cannot, it is respectfully presumed, be better demonstrated by those of the United States, at the present juncture, than by improving efficaciously the very favorable situation in which they stand for extinguishing, with reasonable celerity, the actual debt of the country, and for laying the foundation of a system which may shield posterity from the consequences of the usual improvidence and selfishness of its ancestors, and which, if possible, may give *immortality to public credit*."

\* Washington.

These expressions indicate the high degree of moral sensibility to public obligation which inspired the National Legislature of that day. The following table exhibits the state of the public debt and finances during the five years of Hamilton's administration :

	1791.	1792.	1793.	1794.	1795.
Imports.....	\$ 52,000,000	\$ 31,500,000	\$ 31,100,000	\$ 34,600,000	\$ 69,756,568
Exports.....	19,012,041	20,753,098	26,109,572	33,026,233	47,980,472
Excess of imports.....	32,987,959	10,746,902	4,990,428	1,573,767	21,766,196
Customs duties.....	6,494,225	4,938,074	6,598,445	8,588,382	11,163,370
Receipts.....	4,399,472	3,443,070	4,255,306	4,801,065	5,588,461
Payments.....	5,287,949	7,263,665	5,819,505	5,801,578	6,084,411
Appropriations on debt account.....	6,194,476	7,372,871	7,489,427	7,427,903	7,521,159
Gross revenue from customs.....	6,873,783	5,095,019	6,720,985	8,671,195	11,253,733
Net " ".....	6,534,263	4,615,559	6,073,512	6,717,510	7,959,409
Tonnage, American.....	363,854	414,679	447,754	525,649	580,277
Do. Foreign.....	240,548	244,278	163,366	82,794	56,832

While distinguished honor, patriotism and magnanimity are to be accorded without stint to Robert Morris, who was appropriately styled "the purse-bearer of the Revolution," it is to the genius of Hamilton that the nation owes nearly everything that has been done or thought of in exemplifying the principles of sound financial policy, and in impressing on the soil of American economy the first foot-prints of scientific organization. Eulogy was never better deserved, nor more fittingly expressed, than by M. Guizot (Paris), in his "*Vie, Correspondance et Ecrits de Washington*," in the following words:

"Hamilton must be classed among the men who have best known the vital principles and fundamental conditions of a Government \* \* worthy of its mission and of its name. \* \* There is not in the Constitution of the United States an element of order, of force, of duration, which he has not powerfully contributed to introduce into it, and to cause to predominate."

At the date of the adoption of the Federal Constitution (1788) there were but three banks existing in the United States—the Bank of North America, the Bank of New York, and the Bank of Massachusetts. Their aggregate capital was \$2,000,000, and the population of the country was 3,929,827 (1790). During the period covered by the charter of Hamilton's bank, the population of the country increased to 7,239,814, and 89 new banks were created under State charters with an aggregate capital of \$40,601,601. This was no more than was demanded by the increased volume of business. The country flourished in all the essential elements of wealth and power. "Public and private credit was raised from a prostrate to a very elevated condition, and the finances of the nation were placed upon the most solid foundation." There was reasonable ground to hope that an institution which had proved so beneficial to the country, would be preserved and cherished as the continuing base on which might be permanently established the industrial and commercial policy of the Government. But this hope was destined to a fatal disappointment. "Soon after the bank was chartered," said the Committee of Ways and Means\* of the House of Representatives, in their review of the case, in 1830, "the two great parties that have

\* Report of Com. of Ways and Means on President's message, April 13, 1830.

since divided the country began to assume an organized existence. When Mr. Jefferson came into power upon the strong tide of a great political revolution, the odium of the alien and sedition laws was in part communicated to the Bank of the United States. At no time since the commencement of the Government has there existed a more violent party excitement than that which marked the period under review. It was the period of the embargo, non-intercourse, and other commercial restrictions, when the indiscriminating opposition of the leaders of the Federal party to the measures adopted by the Administration to vindicate our rights against British aggression, had caused the great majority of the American people to view these leaders as the apologists of a nation already regarded in the light of a public enemy. \* \* With all these difficulties to encounter, the proposition for renewing the charter was lost only by the casting vote of the President of the Senate, and by a majority of a single vote in the House of Representatives."

As it was, the defeat of this enlightened measure could not, probably, have been brought about but for the absence of its founder. By one of these inscrutable occurrences which are permitted to interrupt and defeat what appear to be the most natural and best justified of human hopes, the master-builder who had set the nation forward on its grand career was struck down, and with him the influence that might have saved his work. But as if to make brighter the page on which the name of Hamilton is written, the very party and the very leaders that were foremost in destroying the work of his hand, within three years thereafter were foremost also in restoring it, as far as the policy was concerned, by passing the charter of the Second Bank of the United States, with a capital three times greater than the former!

This passage in our financial record is important as showing that the policy in issue was not tried on its merits, but was crushed by the blind spirit of political fanaticism. Hamilton retired from the Treasury in 1794. His two immediate successors, Oliver Wolcott, of Connecticut, and Samuel Dexter, of Massachusetts, in a service of six years, carried forward successfully the general policy which they found drafted to their hands. They were succeeded by Albert Gallatin, of Pennsylvania, who, of our Secretaries of the Treasury, stands next in rank to Hamilton in knowledge of the bearings and relations of practical finance, but far behind him in originality of conception and ability of analysis in economical science.

The period of Mr. Gallatin's Secretaryship (1801 to 1813) was marked by a masterly conduct of details, and a steady pursuance of the general policy established by Hamilton, one of the most important of which was the acquisition of a standing for the National credit in Europe. In 1802 the stocks of the United States sold at higher rates on the London Exchange than those of Great Britain. The revenues continued steadily to improve, insomuch that the addition of \$15,000,000 to the public debt, contracted for the purchase of

Louisiana, involved no necessity for any new legislation to carry forward the prescribed course of its gradual extinction. In 1807 Mr. Gallatin advised Congress that an annual unappropriated surplus of at least three million dollars might henceforth be relied on with great confidence. The permanent revenue for 1808 was computed at \$14,500,000, and the permanent expenses at \$12,600,000. At the end of 1807 the balance in the Treasury would be \$7,500,000. The following sentences, from his report of that year, indicated his early apprehension of war with Great Britain, and the prudential measures which he regarded as expedient in view of the possibility of such a catastrophe:\* "What portion of that surplus may be wanted for necessary measures of security and defense; what portion should be applied to internal improvements, which, while increasing and diffusing the National wealth, will strengthen the bonds of union, are subjects which do not fall within the province of the Treasury Department. \* \* A previous accumulation of treasure in time of *peace* might, in a great degree, defray the extraordinary expenses of war, and diminish the necessity of either loans or additional taxes. \* \* And the public moneys not being locked up and withdrawn from the general circulation, but, on the contrary, deposited in banks, the most formidable objection to that system is thereby altogether removed." The appointment (1813) of Mr. Gallatin as one of the Commissioners to Ghent, for the negotiation of peace, brought his connection with the Treasury to an abrupt termination.

THIRD PERIOD, 1811 TO 1816—DALLAS—WAR WITH GREAT BRITAIN  
—FIRST SUSPENSION OF SPECIE PAYMENTS IN THE UNITED  
STATES.

The immediate and sinister consequence of the refusal of Congress to extend the charter of the National Bank, was to remove the only restrictive influence over the issue of paper money. But for this, it would not have been profitable to invest capital in bank stock. No sooner was it determined that the institution should go into liquidation than the Legislatures of the several States were besieged with applications for local charters, each emulating all others in their competition to secure a share of the public revenues as a foundation for loans. The State of Pennsylvania alone, in a single bill (1814), incorporated 41 new banks, all of which went into operation in the course of a few months. Other States followed with the same headlong precipitation, and the country was soon flooded with from forty to fifty millions of new currency, with scarcely even a nominal base of coin for its support. The inevitable consequence was little delayed. In September and August of the same year, all the banks outside of New England suspended specie payments. The Secretary of the Treasury informed Congress that he had been under the necessity of selecting 94 different State banks from Maine to Louisiana, as depositories of the Government. The various kinds

\* Mr. Gallatin's apprehensions of war were realized in 1812.

of paper money in circulation made it necessary to keep four separate ledger accounts in each; and thus, instead of a single account, which was all that the Treasury required when the Bank of the United States was its fiscal agent, the Government finances were represented by 376 different bank accounts, scattered from one end of the country to the other. But what was still more serious, it was found impossible to maintain that continuous supervision of the revenues, and to exact those periodic settlements which constitute the only effectual safeguard against error, demoralization, and fraud. The banks were ready enough to receive the dues of the Government, but, specie being no longer a part of the currency, the Treasury was forced into a corner. It could not receive irredeemable currency, and all its efforts to obtain settlement in coin were futile. Thus the Treasury funds, amounting to near nine million dollars, were locked up in the suspended banks. As a consequence, the Government fell in default on the interest of its funded debt. Its Treasury notes were dishonored. The business of daily life was prostrated; and universal distrust prevailed. "The multiplication of banks has so increased the quantity of paper currency," said Secretary Dallas in his report to Congress, "that it would be difficult to calculate its amount, and still more difficult to ascertain its value."

In this emergency Mr. Dallas proposed to Congress to return immediately to the instrumentality of a National Bank as the financial arm of the Treasury; and the very party leaders who but three years before had defeated the renewal of the former bank, now united in support of his proposition. The charter was passed by Congress, and signed by President Madison on the 10th of April, 1816. The capital was limited to \$35,000,000. Although nearly a year must elapse before the institution could open its doors for the transaction of business, the premium on specie fell from 20 to 12 per cent. in a few days. In the course of the three following months it fell an additional 6 per cent., after which it quickly disappeared. The new bank went into operation on the first of January, 1817, on a specie basis, to which all the local banks were enabled to conform by its indulgence and generous liberality of management. Its first act was to assume the suspended debts due to the Government by those institutions, amounting in the aggregate to \$8,848,315. This large amount was, therefore, made immediately available to the Treasury, whose defaults were forthwith honorably discharged and the National credit relieved from dishonor.

That the war with England contributed to the economical and financial disorders of this period, there is no room to question; nor that those disorders were aggravated by the political party madness that tore up to its foundations, on the eve of an uncertain contest with the most powerful of nations, an institution such as experience has amply proved to be capable of services without which no people can be strong or united.

*(To be continued.)*

## THE FINANCIAL HISTORY OF THE WAR.

BY GEORGE S COE.\*

After the accession of Mr. Lincoln to the Presidency, the securities of the Government became difficult of sale, and they declined to such an extent that for the week ending June 24, 1861, the following quotations were published:

U. S. Bonds, 1881 (coupon), 6 per cent.....	83¾	83¾
“ Treasury notes, 12 per cent. int.....	101¾	102
“ “ “ 11 “ .....	101	101¾
“ “ “ 10¾ “ .....	100¾	

Zealous exertions had been made by carefully organized committees of the New York Chamber of Commerce, the month before, to obtain subscriptions to Government loans by sending circulars throughout the Northern States, in which citizens, public officers, banks, and other institutions were solicited to act as voluntary agents. But the aggregate secured was inconsiderable, and utterly failed of the amount required for pressing necessity. The great conflict was rising daily into more appalling magnitude. Moneyed capital, with instinctive timidity, buttoned tightly its pockets, and shrank from the danger.

Fortunately, the commercial conditions of the Northern States were altogether favorable. The panic of 1857 had been followed by three or four years of great productiveness and economy, which had so turned international exchanges in favor of this country that larger balances in coin than ever before had, during 1860 and 1861, been imported from Europe. The banks in New York alone holding the unprecedented amount of fifty millions, equal in August, 1861, to about fifty per cent. of their liabilities, while the apprehension of war had produced a general curtailment of credit throughout the Northern States.

After the disastrous battle of Bull Run, and when Washington was closely beleaguered, and the avenue thence to New York through Baltimore was intercepted by the enemy, Mr. Chase, then Secretary of the Treasury, came to this city *via* Annapolis, and immediately invited all persons in this community who were supposed to possess or to control capital to meet him on the evening of August 9th, at the house of John J. Cisco, Esq., then Assistant Treasurer of the United States in New York. This invitation drew together a large number of gentlemen of various occupations and circumstances. During the discussion which

\* This paper forms a part of the appendix to Mr. Spaulding's History of the Legal Tender paper money. It is of interest, not only for its own sake, but as throwing light on a multitude of questions which have been of late much discussed, and are likely to attract still more attention during the present Session of Congress.

ensued, I suggested the practicability of uniting the banks of the North by some organization that would combine them into an efficient and inseparable body, for the purpose of advancing the capital of the country upon Government bonds in large amounts, and through their clearing-house facilities and other well-known expedients, to distribute them in smaller sums among the people in a manner that would secure active co-operation among the members in this special work, while in all other respects each bank could pursue its independent business. This suggestion met the hearty approbation of the assembled company, and arrested the earnest attention of the Secretary. At his request it was presented to the consideration of the banks at a meeting called for that purpose at the American Exchange Bank on the following day, and was so far entertained as to secure the appointment of a committee of ten bank officers, to give it form and coherence. The committee convened at the Bank of Commerce, whose officers zealously united in the effort, and a plan was reported unanimously. It may be found, with the names of the committee, in the *BANKER'S MAGAZINE* of September, 1861. Their report was cordially accepted and adopted by the banks in New York, those in Boston and Philadelphia being represented at the meeting and as zealously and cordially united in the organization. It was greatly desired to include also the banks of the West, but it was found impracticable to secure the co-operation of the State Banks of Ohio and Indiana; and the State Banks of Missouri, the only other organization under a compacted system, were surrounded by combatants.

It was at once unanimously agreed that the Associated Banks of the three cities would take fifty millions of 7 3-10 notes at par, with the privilege of an additional fifty millions in sixty days, and a further amount of fifty millions in sixty days more, making one hundred and fifty millions in all, and offer them for sale to the people of the country at the same price without change. In this great undertaking the banks of New York assumed more than their relative proportion. To insure full co-operation and success, the expedient of issuing clearing-house certificates, and of appropriating and averaging all the coin in the various banks as a common fund, which had been invented but the year before, was applied to this special object with good effect.

So vast a responsibility, involving figures of such magnitude, had never before been attempted in this country, and the assumption of it with such promptitude was without precedent in history.

The capitals of the banks thus associated made an aggregate of one hundred and twenty millions, an amount greater than the Bank of England and the Bank of France combined, each of which institutions had been found sufficient for the gigantic struggles of those great nations, from time to time, in conflict with all Europe. And this combination, made up of distinct and independent corporations, while it possessed all needed capacity for Government work, was free from the objections made to one great



financial institution. The following figures also show that its financial condition was one of great strength:

	Liabilities		Assets in Coin.
	Deposits.	Circulation.	
Banks in New York.....	\$92,046,308 ..	\$8,521,426 ....	\$49,733,990
“ Boston.....	18,235,061 ..	6,366,466 ....	6,665,929
“ Philadelphia.....	15,335,838 ..	2,076,857 ....	6,765,120
	<u>\$125,617,207</u>	<u>\$16,964,749</u> <u>125,617,207</u>	

Total.....\$142,581,956 against \$63,165,039

coin on hand, equal to 45 per cent. of all liabilities. Surely, such conditions as these, with judicious administration, were adequate to the work which the country required. A great merit of this bank combination at that critical moment, when the life of the nation hung in the balance, consisted in the fact that it fully committed the hitherto hesitating moneyed capital of the North and East to the support of the Government. The bank officers and directors who thus counseled and consented were deeply sensible of the momentous responsibility which they assumed, but all doubt and hesitation were instantly removed, and perfect unanimity was secured by the question, “*What if we do not unite!*” And, acting as guardians of a great trust exposed to imminent danger, they fearlessly elected the alternative best calculated to protect it.

The problem to be practically resolved by the banks was this. How can the available capital be best drawn from the people, and devoted to the support of Government, with the least disturbance to the country? and by what means can arms, clothing and subsistence for the army be best secured in exchange for Government credit? These were simply questions of domestic exchange, and most naturally suggested the use of the ordinary methods of bank checks, deposits and transfers, that the experience of all civilized nations had found most efficient for the purpose; and that this should be accomplished by the Associated Banks, in a manner best calculated to prolong their useful agency, and to preserve the specie standard, it was indispensable that their coin reserves remain with the least possible change. Accordingly it was at once proposed to the Secretary that he should suspend the operations of the Sub-Treasury Act in respect to these transactions, and, following the course of commercial business, that he should draw checks upon some one bank in each city representing the Association, in small sums as required, in disbursing the money thus advanced. By this means his checks would serve the purpose of a circulating medium, continually redeemed, and the exchanges of capital and industry would be best promoted. This was the more important in a period of public agitation when the disbursement of these large sums exclusively in coin, rendered the reserves of the banks all the more liable to be wasted by hoarding. To the astonishment of the committee, Mr. Chase refused. Notwithstanding the

act of Congress of August 5th, which it seemed to us was passed for the very object then presented, but which he declared upon his authority as finance minister, and from his personal knowledge of its purpose, had no such meaning or intent. This issue was discussed from time to time with much zeal, but always with the same result. It was seen by the most experienced bank officers to be vital to the success of their undertaking. To draw from the banks in coin the large sums involved in these loans, and to transfer them to the Treasury, thence to be widely scattered over the country at a moment when war had excited fear and distrust, was to be pulling out continually the foundations upon which the whole structure rested. And inasmuch as this money was loaned to the Government, and was in no sense a trust reposed in the banks, there appeared to them no reason why it should not be drawn by checks in favor of Government contractors and creditors, who would require to exchange them for other values in commerce and trade, through the process of the clearing-house. And this consideration was greatly strengthened by the fact that these advances were made, and the money publicly disbursed, a long time before the Treasury Notes were ready for delivery to the banks which had paid for them. In the light which has since been shed upon the act of Congress referred to, it is evident that undue weight was given to the views of the Secretary, and that the banks would have conferred an incalculable benefit upon the country, had they adhered inflexibly to their own opinions. But the pressure of startling events required prompt decision, and the well-known intelligence and patriotism of the Secretary gave to his judgment overwhelming power. It soon became manifest that in consenting to have their hands tied, and their most efficient powers restricted, while engaged in these great operations, and in allowing their coin reserves to be wasted, by pouring them out upon the community in a manner so unnecessary and exceptional, the banks deprived themselves and the Government of the ability of long continuing, as they otherwise could have done, to negotiate the National loans upon a specie standard.

This first great error, if it did not create a necessity for the legal-tender notes, it certainly precipitated the adoption of that most unhappy expedient, and thereby committed the nation at an earlier day, to the most expensive of all methods of financiering.

One other subject of discussion between the Secretary and the Associated Banks at the same time arose which led in the same direction. Congress, by its Act of 17th July, had authorized loans to the amount of two hundred and fifty millions. This could be issued either in bonds running twenty years at not over seven per cent. interest—7-30 notes running three years, or fifty millions of the amount could, at the discretion of the Secretary, be made in currency notes payable on demand without interest. As the undertaking of the Associated Banks covered one hundred and fifty millions of this sum, and it was desired that they continue the work thus auspiciously begun, a question of the expediency of

putting out the circulating notes was immediately raised by one of its members. A very small amount had been emitted. The Treasury was empty of coin to redeem them, and could only be replenished by the proceeds of the bank loans. It was evident to the bank officers that they could not sustain coin payments, if the transfers from their vaults to that of the Treasury were subject to be intercepted and absorbed by these notes of Government. Nor could the banks receive them upon deposit from the public as money, while they were responding to the Government and to their own dealers in coin. It was an inflation of the currency in the form most embarrassing to the enterprise they had commenced. Accordingly the Secretary was urgently solicited to refrain from exercising the discretionary powers given him of creating the Treasury currency, until all other means were exhausted. In response to a resolution to that effect, the Secretary assured the bank officers of his acquiescence in their suggestion, but at the same time insisted that it was improper for a public officer to openly pledge himself *not* to exercise a power conferred by the law. With this understanding the banks began their work, paying into the Treasury in coin one hundred and fifty millions in sums at the rate of about five millions at intervals of six days. Even with all these unfavorable circumstances surrounding them, it was an encouraging fact observed by those who were anxiously watching the practical operation of this great and novel experiment, that while the circulating notes in the country were restricted, the disbursements of the Government for the war, were so rapid, and the consequent internal trade movement was so intense, that the coin paid out upon each installment of the loan came back to the banks through the community in about one week. The natural effect of this general commercial activity upon the circulating medium, being simply to quicken its flow.

After taking the third amount of fifty millions by the Associated Banks, those in New York who had at that time paid in of their proportion over eighty millions in all, found themselves in this position.

Their aggregate coin, which on the 17th August, before the first payment into the Treasury, was.....	\$49,733,990
Was in December 7th.....	42,318,610
A reduction of only.....	\$7,415,380

and the other two cities in like proportion.

In the meantime the 7-30 notes taken by the banks had been purchased by the people to the extent of some fifty millions, notwithstanding a prolonged and vexatious delay in issuing them by the Treasury Department. The popular feeling was all that could have been desired for continuing that method of distribution. It may be confidently affirmed that had the banks been permitted to exercise their own methods of exchanging the bonds for the varied products of industry required by the Government, they could have continued their advances in sums of fifty millions for an indefinite

period, and until the available resources of the people had been all gathered in. It is to be borne in mind that these resources were all existing at home, and that the increased industry which the war excited was daily creating new means for investment. It may be presumptuous to affirm that the legal-tender notes could have been dispensed with altogether. But it is safe to say that the causes which seemed to justify that act would have been long deferred, to the saving of hundreds of millions to the country.

But at this time the demand notes were paid out freely by the Treasury, and began to appear as a cause of embarrassment among the banks which were pressed to receive them upon deposit, and while they could not decline them without diminishing public confidence in the Government credit, they could not give them currency without impairing their own specie strength. In fact the notes became at once a substitute for coin withdrawn from circulation, and their emission expressed a purpose of resorting to Government paper issues to carry on the war. So soon as these notes thus appeared the reflux of coin to the banks at once sensibly diminished. During three weeks from the 7th December, the reserves of the banks in New York fell to \$29,357,712; a loss of thirteen millions within that short period, and on the 28th December, after conference with the Secretary, in which he still adhered to the views before expressed, it was decided as expedient for the banks to suspend specie payments.

At that moment the Associated Banks yet held over forty millions in coin, and it was still possible for them to continue their advances to the Government but for the two obstacles thus interposed. Before entering into this last conference with the Associated Banks, some of the members expressed to the Secretary the importance of continuing his relation to an organization which combined so much of experience, capital, and financial resource, and which was yet capable of rendering the Government invaluable service. And that if an irredeemable paper currency was the inevitable resort, it would be more expedient and economical for the Government not to become involved in its dangers, but to impose the duty and responsibility of issuing the notes upon the banks, who would naturally be compelled to keep the day of redemption continually in view. Thus, as a suspension of coin payment was about to be declared, it was practicable to preserve from distribution and set aside the forty millions of coin then owned by the banks, together with one hundred and fifty or sixty millions of Government bonds, which could be taken by them as a special security for two hundred millions of notes, which could then be immediately issued by the Associated Banks from their own plates, and be verified and made National by the stamp and signature of a Government officer. And that such an issue, so supported by coin and bonds, at once simple and expeditious, would serve the temporary purpose required, with little, if any, deterioration below coin value, and that it would be then practicable for the banks to continue without farther agitation their advances.

But the Secretary declined to entertain this suggestion, preferring the system of National Banks, which he had already conceived.

Looking back over events that have since transpired, it must be admitted that this suggestion possessed true merit. It would have preserved a coin basis for the currency, prevented the destructive expansion, relieved the Government from its almost inextricable entanglement with the circulating notes, and compelled an early restoration of coin payments. And with a proper use of the expedients and machinery of banks, by utilizing their power of effecting exchanges, which was subsequently applied by the Secretary in the National Banking system without reserve, this amount would have been found sufficient. When we review the excessive cost of the war, the vast increase of the National debt, and the public and private evils which a profuse currency has entailed upon the country, it must appear evident that in failing early to use and to exhaust all those means and appliances of commerce and banking that the experience of other civilized nations has proved most effective, a great and irreparable mistake was made.

One more good service the banks of New York were yet enabled to perform, which, although not great in amount, was most important in its effect upon the credit of the Government.

On the first day of January, 1863, \$8,000,000 of the National debt, issued in 1842, became due. It was the first loan that matured after the passage of the legal-tender act, and upon its prompt payment in coin, in which the debt was incurred, depended the reputation and credit of the United States at home and abroad, and its ability to make future loans upon favorable terms. It was a momentous question whether the Government would apply the new law to its own obligations, and thus establish a precedent for the future. There was not sufficient money in the Treasury to pay the debt, and up to the latest hour the question was anxiously discussed in the departments at Washington, and almost decided, to plead inability and to fall back upon the legal enactment. At this juncture Mr. Cisco, Assistant Treasurer in New York, to whose patriotic service and wisdom the nation is greatly indebted, zealously interposed his influence. Upon his application to the banks there, they promptly furnished the requisite amount in gold, receiving his personal assurance that it should be repaid out of the revenue when received at his office, and thus the country was again saved from an irretrievable financial disaster.

The legal-tender act was regarded by very many men of influence, from the beginning, as a foregone conclusion, and as a measure of inevitable necessity in war. Great doubt was continually expressed whether the people would submit to the necessary taxation for war purposes, and whether the country would bear the strain of so gigantic a struggle if conducted upon principles of sound commercial economy. However we may now honestly differ upon that subject, as we did then, it is certain

that had the real temper of the nation been earlier felt by the Government, it would have greatly modified and retarded the financial legislation of Congress, and the practical administration of the Treasury. The people proved themselves to be thoroughly in earnest. They needed no patronage to awaken the most heroic devotion, and to draw out the noblest sacrifices as well in private life as in the army.

It is more immediately practical to inquire what was the nature and effect of that important act?

It was, in simple fact, an arbitrary and absolute decree of the Government, that with an empty Treasury, and in need of all things, its notes, payable whenever able and without interest, should be accepted by the people as money. The primary object was to secure material of war without present payment, and in order to effect this exchange it was necessary, secondly, that the edict should empower those who first received the notes to enforce them as money in like manner upon others, and so to distribute the burthen throughout the community.

This forcible entry of the Government into the private affairs of the people, so utterly at variance with the fundamental principles of our system, so great an abridgment of personal liberty, and operating as a tax so unequal in its effects, was a rigorous measure of war, and as such was vindicated only as a temporary act of dire necessity. In enforcing this unequal burthen, Congress did not leave the holders of the notes without some measure of relief, but it gave to all the option of converting them at pleasure into a six per cent. gold-interest-bearing bond, payable in twenty years. By this means, the notes became equal in value to the bonds for which they were made exchangeable, and while during the war the payments of gold interest continually operated to produce a curtailment of the volume of the notes in circulation, the return of peace opened a market abroad for the bonds, which would have insured the early and entire absorption of the war currency, and thus cleared the way for specie payments.

But, in an evil hour for the country, other counsel obtained possession of the good judgment of the Secretary, and yielding to it, he consented and urged Congress to withdraw this privilege of converting the notes, so that thenceforth all issues were made without it. All notes emitted consequently became an unmitigated burthen upon commerce of indefinite duration, from which there was no escape. A new currency was created utterly at variance with all economic laws, and in conflict with all recognized rules of commerce and exchange. It did not, like all sound currency, naturally spring out of industry, production and trade, but it was an enforced result of exhaustion and necessity. It did not come and go, following the beneficent courses of commerce, expanding and contracting with the times and seasons that required it. But it remained an unyielding, inflexible mass, subject only to the chances and vicissitudes of war. As the war progressed and the country became poorer, this currency increased, giving new instru-

ments and facilities to expend just in proportion as the means of payment were consumed. With a compulsory currency thus made the measure of prices, and daily deteriorating yet still increasing, is it strange that all other property was eagerly sought for in preference to this, and that prodigal expenditure became the law of the land?

In depriving the currency of its convertible privilege, it has been made perpetual. Ten years of peace have elapsed and it yet remains. Commerce did not originate and cannot absorb it. There is no natural relation between the two, but they continue in their original antagonism.

I believe that the only practicable relief to the country must come from restoring this privilege. Not of conversion into *six* per cent. bonds, but in those bearing such rate of interest—say five per cent.—as will induce holders to exchange them. This simple measure, coupled with the repeal of the legal-tender act for all future operations, will, in my judgment, open the way for the gradual and easy disposition of this unnatural currency—will restore commerce to the operations of natural laws, give a new and healthy stimulus to industry and trade, and, with a country as rich and productive as ours, we shall speedily return to general prosperity. This is the last struggle of the war, and I believe that the whole country earnestly desire to meet and to finish it.

---

## THE LEGAL-TENDER NOTE SCHEME.

BY SAMUEL T. SPEAR, D. D.\*

We give the above title to a monetary scheme, which, though as to its central idea by no means a novelty in the history of the world, is, nevertheless, in this age and country, one of the inheritances of the legal-tender policy adopted during the late war. The fundamental principle of the scheme is that the Government should directly issue all the paper currency in use among the people, declaring it to be "lawful money and a legal tender," and at all times determining its volume. This supposes, of course, the continuance of the present legal-tender notes unredeemed and unpaid, the withdrawal and retirement of all bank circulation and the issue of Government notes in its place, and also further issues of such notes from time to time as Congress shall judge expedient. To these elements is added, as a sort of appendage, the issue of Government bonds bearing interest at the rate of three-sixty-five per cent., exchangeable by the Government on demand for an equal amount of its notes, and always receivable by it upon the return of the notes.

\* This essay is one of a series of papers which have recently appeared, and have since been republished in a pamphlet, which is reviewed elsewhere. We have placed it on our list of books and publications recommended to banks and bankers.

Such is the legal-tender note scheme which is now propounded for the consideration of the American people, and is, moreover, urged by a class of speculative financiers, as a great improvement of our monetary system. The design of this article is to examine the merits of this plan; and for this purpose the reader is asked to note the following particulars:

1. There is not the faintest shadow of authority for the plan in the Constitution of the United States. It cannot be brought within the scope of the coining power, either as a means or an end, except by the most monstrous perversion of language. Those who talk about coining the *credit* of the Government in the form of legal-tender notes contradict all the dictionaries of the land, and use words in a false sense. Nor does the scheme come within the scope of the borrowing power. The idea that the power to borrow money includes the power to *create* money in this form, for the purpose of supplying a circulating medium, involves a mode of reading the Constitution that reads all the sense out of it, and at the same time robs its language of any definite and certain meaning. Nor has the scheme any relation to the war powers of the Government, since it does not rest upon them as a basis, or even profess to be a means for carrying them into execution. It is a currency scheme for peace, is proposed in the time of peace, and has no pretense of any justification or foundation in the necessities of war. By no construction, except one that would outrage all the laws of interpretation, can the Constitution be so stretched as to comprehend such a monetary system; and we cannot think that the Supreme Court, or any other Court of average judicial intelligence, would hesitate a moment in declaring it to be unconstitutional. The first thing, then, for these currency reformers to do is to amend the Constitution, and thereby give Congress the power to put their theory into practice; and, while they are about it, they might as well make the amended Constitution consistent with itself by abolishing the coining power altogether. Congress would not need both powers, since the former would render the latter practically useless.

2. This scheme, by contemplating no final payment of the legal-tender notes already issued, is in this respect a scheme for repudiation. These notes are *bona fide* debt obligations upon their face and by the law of their issue. They have been so declared by the Supreme Court of the United States, and are so regarded in the Public Credit Act of 1869. They pledge the faith of the nation to payment. This new scheme, however, proposes to repudiate this pledge, since payment of the notes is no part of its purpose. They are to be kept indefinitely in circulation, having the form of debts, but not treated as debts. Their exchangeability for bonds bearing interest at the rate of three-sixty-five per cent. is not a provision for their payment, certainly not *the* provision contained in the contract of issue.

3. The volume of the currency, according to this system, is to be committed to the absolute and exclusive pleasure of Congress.



History teaches that paper money, if irredeemable in gold on demand, depreciates in proportion as its volume is increased; and hence, the power to control this volume is the power to control the money value of all the private property in the land, and make the whole business of society dependent on the currency will of Congress. Gold and silver distribute and regulate themselves by the natural laws of trade, and so does paper currency when redeemable in these metals; but in this monetary scheme the sovereign will of Congress is to be the sole determiner of the amount of notes to be issued, with no limitation imposed by their redemption in gold. What guaranty could the people have that this power would be discreetly exercised? No Government, unless officered by archangels, would be wise enough to decide beforehand just how much currency will be needed for the convenient transaction of business; and it is doubtful whether archangels would be equal to the task. The problem can be solved only under a system that spontaneously accommodates itself to the movements of trade, expanding or contracting with their expansion or contraction; and for this purpose no plan has ever yet been devised that will at all compare with the bank-note system under the safeguards and regulations of law. Banking responds naturally to the law of supply and demand. Those who advocate this legal-tender note scheme cannot have well considered what a vast concentration of power it implies in Congress, and with what great liabilities to mistakes, abuses, and corruptions, especially in the direction of overissue, it is fraught. They cannot have read the history of paper money; or, if familiar with it, they are strangely blind to its oft-repeated lessons. The experiment which they propose is not essentially a new one. It has been tried over and over again, and uniformly with disastrous results.

4. The scheme appears equally faulty if we consider the only ways in which a credit circulation can be directly issued by the Government. One of these ways is to create a debt in the currency form to meet any excess of disbursements over receipts; and, hence, if the ordinary revenue, as should always be true of every solvent Government in time of peace, be equal to the expenditure, not a solitary note could be issued, however urgently the wants of the people might demand a greater volume of circulation, unless the Government should diminish its revenue or increase its expenses, and by one or the other process run into debt in order to issue more currency. The second method would be to adopt the policy of making loans to individuals or private corporations in the form of Government notes; and this would at once convert the Treasury of the United States into a bank, clothed with the power and charged with the duty of discounting commercial paper, buying bills of exchange, and doing a general banking business. The third method would be to issue notes for the purpose of paying the bonded debt of the Government, exchanging notes for the bonds at the legal value of the former, which would be repudiation to the full amount of their discount

as compared with gold, or making the exchange by paying the currency premium on the bonds, and in either way so inflating the volume of the circulation as to depreciate its market value just in proportion to the extent of the inflation. It ought to be sufficient simply to state the possible methods of getting a legal-tender currency out of the Treasury and into the hands of the people. The idea that runs so flippantly in a popular harangue is beset with the most formidable difficulties the moment we examine the *quo modo* of its operation. No one not literally stupefied or frenzied with a visionary theory would recommend the Government to adopt any one of the methods above sketched.

5. The proposed scheme would not and could not adjust itself to the wants of business, unless the Government would add the banking function to its Treasury Department. This adjustment can be secured only by what is called a commercial currency—a currency that, born of commerce, increases or decreases with its tides. Banking, under the regulations of law, yet free to work its machinery in a normal manner, supplies the requisite conditions of such a currency in its system of discounts and payments. When business is active, and a greater volume is needed, the increase naturally flows out in the form of discounts. The banks then enlarge their discount line, and with this the circulation expands. When, on the other hand, the amount of business lessens, the notes issued to meet greater wants naturally return to the banks for redemption, and are not at once re-issued to the same extent. Thus the circulation ebbs and flows by banking machinery according to the wants of trade. Its changing volume in actual use is determined by the law of supply and demand, and in this respect its movements are analogous to those of specie. Now, unless the Government shall undertake to furnish a banking system in the operations of its own Treasury, it cannot, upon the very face of the case, give to the people a circulating medium that will spontaneously adapt itself to their business necessities. Bank agency in the form of discounts, payments, and redemption, is indispensable to the end; and the only way in which the Government itself can do the work is to become a banker. Does any one, not a financial lunatic, propose that the Government should add banking to its ordinary duties?

The proper fiscal operations of the Government consist in collecting its revenues and paying them out to meet its current expenses. This it must do. Observe, then, that it collects the largest revenue just when business is most active, and when the need for a circulating medium is greatest, and the smallest revenue when the reverse conditions exist. As a revenue collector and disbursing officer for its own expenses, the Government cannot avoid this result. Money goes *into* the Treasury as revenue, and goes *out* of it in the form of disbursements; and in neither movement does the action of the Government have any reference to the wants of business, so as to increase or decrease the volume of the circulating medium according to those wants. The only

way in which the Government can obviate results that naturally arise from its purely fiscal function, is to become a banker, as well as a collector and disbursing officer of revenue, lending money freely when its collections from the people are largest and their demand for it is greatest. Its fiscal function of collection and disbursement has no relation to their wants, and can have none, as a means of meeting them, unless the banking function shall be added thereto; and this at once makes the Government a banker.

6. The entire withdrawal from the banks of all power to issue a currency would in many parts of the country have the effect of denying to the people the facilities and advantages of a banking institution. This would be the result whenever the reception of deposits alone, without note issues, would not be sufficiently profitable to form any motive for the organization of a bank or the continuance of one already organized. A great many banks, especially in the country districts, would be closed up, and the people would be deprived of the convenience afforded by them if this new scheme were put into practice. Banking capital would seek other and more remunerative modes of employment; and this would involve a serious loss to the people.

7. The general credit of no Government is good enough to maintain a note circulation at par with gold except by redeeming it in gold at the option of the holder. If, therefore, this legal-tender note scheme proposed gold redemption, then, in order to carry it out, the Government would have to keep in its Treasury a sufficient amount of gold to redeem on demand all the notes presented. Supposing the notes to amount to eight hundred millions of dollars; the Treasury would have to carry at all times not less than two hundred millions of dollars in gold. Gold redemption is, however, no part of the scheme; and, hence, nothing is more certain than that the notes—withstanding their legal-tender character—would circulate at a depreciated and fluctuating value; and that the extent of the depreciation would in general keep pace with their volume. The scheme, then, proposes a permanently depreciated paper currency, as compared with the money of the Constitution and the money of the commercial nations with which we trade.

It is difficult, without writing a book, to enumerate in detail the consequences of this one fact. They strike in all directions. By a law as sure as that which governs the tides, this depreciated currency would supersede the general use of gold and silver and cause them to be exported to other countries. Such has been the effect of the notes now in use, and the effect would be continued. Though the richest gold-producing country in the world, we should, nevertheless, be among the poorest in the money of the world. If the Government should make these notes receivable for customs duties, then it would have no means of paying either the interest or principal of its bonded debt, unless it repudiated the doctrine of gold payment and paid in a depreciated currency, or went into the market as a purchaser of gold and paid the pre-

mium on it as fixed by gold speculators. If, however, the Government continued its present law in respect to customs duties, we should, nevertheless, have a double legal tender—one of gold and the other of inconvertible paper notes—both having the same legal value for ordinary debts, yet constantly differing in the degree of their commercial value. Speculation in one of these tenders by buying and selling it at prices computed in the other would be a permanent business. The whole foreign trade of the country, alike in what is sold and what is bought abroad, must be estimated and expressed in gold values; and, as these values, when here expressed in currency values, would fluctuate according to the greater or less depreciation of the currency at one time than at another, our foreign trade, and all domestic trade directly dependent upon it, would be in the state of constant uncertainty, perplexity, and danger on the question of prices. We should derive little or no benefit from the natural tendency of the gold treasure of the world to equalize its distribution among the nations of the earth according to their relative demand for it.

This system would, indeed, give us a *home* currency, that could not be exported and certainly would not run away, and the reason would be that nobody outside of the United States would deem it worth enough to accept it in payment for anything. We could not convert it into the money of the world, except at a discount, and could not use it at all as an international medium of exchange. If it be said that this would relieve us from the disturbing influences of foreign trade, then let it be remembered that we cannot separate domestic and foreign trade, except by abolishing the latter altogether. The two kinds of trade, if they exist in the same country, necessarily exist in the state of alliance and merge themselves into each other. That an international medium, as the basis of foreign trade, in current use among the people, is a great commercial desideratum no one doubts who understands the nature of such trade, and that no money that is not the money of *value* in the material of which it is composed can be such a medium, is as certain as the natural laws of exchange. Money that has not sufficient value to be exported and still retain its value is by this fact proved to be an inferior kind of money. Yet this is just the sort of money proposed to the people as the permanent money of the country, accompanied with the certainty that it would expel gold and silver from the general use. With such a monetary millennium all the industries of the land are to be blest. Printed bits of paper, made money by the naked force of statute law, constitute the beginning, the middle, and the end of the whole system.

8. The three-sixty-five-bond appendage of this scheme adds nothing to its value and is no remedy for its defects. The bonds are to be issued by the Government in exchange for the notes, and the notes are always to be accepted in exchange for the bonds, at the option of their respective holders. The market value of each would rest upon the other, since either by being present-

ed to the Treasury could on demand be converted into the other. How much, then, would a thousand-dollar three-sixty-five bond be worth? Just as much as a thousand dollars in legal-tender notes. How much would the latter be worth? Just as much as the former. Would either be at par with gold? No. Would either prevent the depreciation of the other? No. Even if the interest on the bond was paid in gold, and the principal was ultimately paid in the same way, this would not save it from depreciation, as the necessary consequence of the low rate of interest; and if neither is to be paid in gold, then we have a paper system of bonds and notes, convertible into each other and each dependent upon the value of the other, without any real and positive value at the basis of either, with the single exception of the paper of which they are composed. Any one who expects that either with such moonshine would be maintained at par with gold has a remarkable faculty of believing.

---

## INTERNATIONAL BANKING AND CURRENCY.

BY DAVID WILDER.

Although we cannot hope at present to bring all banking, and the issue of notes for circulation, under a general or truly international system, it is sufficiently evident that causes are at work which will, sooner or later, imperatively demand the recognition and practical adoption of some simple, general principles, which shall apply in all cases, and give us not only just the right quantity of the right kind of bank-notes, but make them the legitimate means by which commercial crises and their disastrous consequences can be rendered nearly, if not quite, impossible, and commerce elevated from the condition of mere gambling, or chance, to which it has been reduced. As it is only in relation to the issue of notes to serve as small change in the place of coin that we ought to invoke the aid of legislation, I shall endeavor to show how we can confine ourselves to this and still accomplish our purpose, and make all paper used as currency not only equal to specie where it is issued, but convertible at par into that which will purchase and pay everywhere better than gold itself.

No one conversant with the history and working of the Suffolk, or New England, system of redemption, will deny that such a system should be established in every large commercial center, and that all these should redeem at a common center, such as New York is for this country, and as London is for the whole world.

We assume, with sufficient reason, that the entire volume of what is popularly known as currency, and which some writers persist in treating as money, shall be prepared by the Government, either general or local, and intrusted for issue and circulation to those only who have capital to lend, and who are able, in addition to this, to deposit with the proper officer an amount of valua-

ble productive securities, which shall be held contingent upon the faithful performance of duty by the banker as the agent to supply the notes and attend to their redemption in funds equal to specie, not only at the place of issue, but equally at the commercial center or clearing-house, toward which they flow in the natural course of trade, and where they are most valuable to the holder. This prompt par redemption, or convertibility, at the natural trade centers, into funds satisfactory to the holder, is the very first and most imperative condition to which all should be made to conform, under such a penalty for failure as would make failure impossible.

And there should be paid into the Treasury by the banker, an equitable proportion of the profit on the circulation, so that this should not be a temptation, as it often is, to overissue.

With these provisions, not only can the Government afford to indorse the notes, as it would, substantially, but it should instruct its agents to accept them for revenue in place of specie, which no one needs, while paper can be provided which will purchase and pay upon the same, or even more favorable, terms. Having insisted upon redemption by the local banks at the respective clearing-houses, or local centers, we are prepared to require that all these representatives of the several portions of the country shall find a common center, such as New York city, where their notes shall be met and redeemed in the same manner, so that any paper fit for discount can always be converted at fair rates into that which will purchase funds there at par, which will be worth more than specie all over the country.

We do not desire redemption at Washington, nor is it necessary to be constantly transporting, at great risk and expense, notes to that place. Washington is not the commercial and financial center of this country, whatever else it may be, and we have no occasion to redeem notes at that point. No Government should engage in the business of banking or issuing notes as currency, but should be content with establishing, and maintaining unchanged, a valuable money standard, and then see that through the banks, as the proper, natural channels, as many notes should flow out as may be demanded by the quantity and price of commodities to be exchanged.

The volume of this kind of currency at most is inconsiderable, as the great mass of transactions are, and must always be, effected by the use of the more private forms, such as checks, drafts, and bills of exchange. These are created not only without the aid of legislation, but in spite of it; while the bank-notes are only small change, and could, if we were so disposed, be dispensed with entirely and small checks substituted. But it is not desirable to do this, because under the proposed conditions these notes not only become the leading kind of currency, and impart their character of prompt convertibility to all other paper, but they enable the banker to gather up and utilize the small sums which they represent, and thus, like the larger deposits inscribed upon his books, increase the capital at his disposal for loans.

It must be remembered, however, that the notes are not money, nor does their creation increase our wealth. They are simply certificates of deposit, and have been by some writers very properly called a "debt currency." They are nominally payable on demand and in specie, like all other mature obligations. But, practically, they are not payable without a certain average circulation, and they are not founded upon or payable in specie more than other paper. Banking capital is not money; neither are the deposits made in money. It is true that the banker may receive and lend gold and silver coin as well as notes and other currency. But when coin is used in any purchase or payment it only serves as a costly representative of the useful things which we obtain by parting with it, just as the right kind of paper would. Let us not, then, be deceived by those who insist that there shall always be specie in the bank equal to the notes out, or be at all anxious as to the amount of reserves of one kind or another held idle by the banker, but rather inquire as to the kind of notes he discounts, and whether they will fall due at the right time and place to meet all his obligations promptly. The banker who deals in such notes, exclusively, never fails, and never wants gold or silver in his vaults.

Let us learn that there are but two kinds of wealth (fixed and floating), and that all currency is the proper representative of, and the real title to, the latter, as deeds, shares of stock, and bonds are for the former, and then we shall readily understand that the banker does not lend money, but merchandise, and that the amount he receives on loans is not interest on money, but rent for the commodities he transfers to the borrower by the use of his checks, drafts, and notes. And it will also be plain that the Government has no more right to interfere with the business of the banker who lends, than with that of the merchant who exchanges, or the manufacturer who creates the same commodities. Banking, as such, should be entirely free. It is only when we come to the issue of notes, to be used by the Government itself as well as the people, in place of coin, that we can appeal to legislation. And that can only go so far as to declare that no notes shall be accepted by the Government agents except those which conform to certain conditions, which will increase their value and make their circulation more general.

The object of all Governments should be to secure, first, uniformity in coinage, so that the standards should everywhere have identical weight and fineness, and consequently the same commercial value. Then there should be provision for a central institution, like one in New York for this country, with branches in other cities, and these should not only act as clearing-houses for the local centers, but as agents for keeping and disbursing Government revenues, which could be done safely and without charge, and a fair interest paid on deposits, as has been done in Massachusetts for more than half a century past, without loss or even delay in a single instance. Governments require no other or better agents than the people at large, and it is quite time that all the cumbrous, expensive, not to say eminently mischievous

machinery of the sub-treasury were dispensed with, and a more practical, economical management adopted.

There are a sufficient number of the right kind of men and ample capital available to do all that has been proposed, if permitted, while they could afford to issue notes which would be better than gold, not only throughout our own country, but all over the world. The profit on the circulation which we could afford as a people to allow in part to the bank, would be ample to indemnify for all the expense and risk of redemption at par in London, and that would make the notes current everywhere and stop the use of gold and silver as mere currency almost entirely. It is, in fact, hardly conceivable that any person would accept coin when he could be certain that the notes were better. This is the kind of banking and bank-notes that our plan contemplates, and some time in the not distant future we shall find nothing less will serve our purpose. The waste and inconvenience of our present modes will be found intolerable, and reform will be insisted upon.

Meantime let us prepare for the change by providing for a return to the only safe, substantial standard of value, which all the world has for so many years recognized as money, without the aid of legislation, which cannot determine values or prices. Such aid must be confined to placing upon our coins trade-marks which will enable those who use them to judge readily as to their weight and fineness, and determine their exchangeable value, or purchasing power. We may, by legislation, say that only these coins are a legal-tender for debts; but that cannot compel us to use them in our exchanges, nor can we be forbidden to recognize other substances than gold and silver as standards.

There have been (and may be now) leases of property in the city of Boston payable in iron. But that only means that as much shall be paid as would purchase the stipulated quantity of that metal. The same is true when gold and silver are promised, and, therefore, all anxiety as to the presence or absence of these as a basis of the currency, or as means to enable the Government to resume specie payments, is idle. We do not need more gold, but less; not less paper, but more. The notes, however, whether issued by the Government, the bankers, or the people, must, within their proper sphere of action, be equal to specie.

In order to secure a resumption of specie payments, or as it should be termed, a return to the specie standard, and thus open the way for a legitimate system of banking, Congress should immediately repeal the legal-tender act, with a provision for the payment of currency obligations at their then existing true money value, so that the relation between debtors and creditors should not be changed, and the former defrauded. They would be by any other mode, just as the creditors were when the act was changed by withdrawing the provision for funding the notes, and thus diminishing their value or purchasing power until they were at one time worth less than half price. This was a gross violation of the spirit of the Constitution, which forbids the States



to adopt any legislation tending to impair the validity of contracts, and it is difficult to understand how, under any circumstances, men can be found to justify such action.

We have the right, in the name of common honesty, to protest against any legislative or official action which shall change our standards without providing expressly for all existing obligations. Let this provision be made now, and resumption may be secured at once, not only without more gold, but with even less than we now have. Place the legal-tender notes on compound gold interest at four per cent. per annum, payable quarterly, and fund them eventually in consols at the same rate, and there will be no call for gold. Assume the redemption of the National Bank notes, and treat them in the same manner. We are then prepared for the issue of new notes under the conditions already named, and I appeal to the judgment of all intelligent business men and bankers to determine if the quantity of such paper would not accurately adjust itself, and the quality be above suspicion, even though there might be little or no specie in the vaults of the banks, so long as there was ample credit at the Clearing-House, and funds there better than gold itself.

Finally, we say, let our Government first return to the specie standard, so that all may know, as none do now, what a contract to pay money really means, and then provide, as it can easily, for the issue of the right quantity of the right kind of notes, and leave banking free, like other pursuits, under the same general laws.

---

## BANK CLERKS' MUTUAL BENEFIT ASSOCIATION

OF THE CITY OF NEW YORK.

The Seventh Anniversary Meeting of this Association was held on Tuesday evening, December 7th. Notwithstanding the storm, a large audience assembled in Association Hall. Mr. E. H. Pullen, Assistant Cashier of the National Bank of the Republic, acted as Chairman, and delivered a very satisfactory address. The Annual Report was read by the President of the Association, Mr. O. D. Baldwin, of the Fourth National Bank.

There has been during the past year an increase of 29 members. The present number in good standing is 1,047. Dues and assessments received for the year, \$12,051; paid on account of deceased members during 1875, \$9,716; held in trust for disabled members, \$3,200; expenses for the year, \$1,174.45, which includes the sum appropriated towards the inclosure of plot in Cypress Hill Cemetery, presented by Wm. Miles, Esq.; donations received during the year, \$1,555; permanent fund, \$51,070; other funds in savings banks, \$16,882.63. Total resources, \$67,952.63.

Addresses were made by Rev. John Hall, D. D., and Mr. B. F. Dennisson, President of the Bank Clerks' Beneficial Association of Philadelphia. Extracts from these addresses are deferred until our next number.

## BOOK NOTICES.

*Money and the Mechanism of Exchange.* By W. STANLEY JEVONS, M. A., F. R. S., *Professor of Logic and Political Economy in the Owens College, Manchester.* 1875. New York: D. Appleton & Co.

It has often been remarked that England of late years has fallen behind her old position in the van of economic science. Several able economists, anxious to wipe off this stigma from their country, have within the past two or three years stepped into the arena and devoted themselves to the exposition of the practical branches of political economy, and amongst the number is the writer of the book before us. Mr. Jevons, some years ago, wrote a work on the theory of political economy, in which he endeavored to elucidate economic science by the aid of the differential calculus. Leaving this abstruse field of mathematical economy, in which, whatever his critics may jocosely say, Mr. Jevons certainly distinguished himself above several of his predecessors, our author now takes up a more practical side of economics, and gives us a very interesting descriptive essay on the past and present monetary systems of the world. For the task assigned him, Mr. Jevons has special qualifications. He has passed much of his active life in Manchester, the great center of one important branch of British trade, and the seat of one of the two provincial clearing-houses in England, of which Mr. Jevons gives the best account that has ever yet been published. A few years ago he visited this country, and evidently made better use than some of his compatriots of the advantages and opportunities for economic observation here. Our author's chief claims to special fitness as an expositor of the monetary systems and laws of the world rest, perhaps, on the experience which he gained as an officer in the British Mint at Sydney, where he served with some distinction for a period of four years. He modestly disclaims the intention to enter upon the currency question, the bank charter act, and the mysteries of the money market, to the study of all which he hopes, however, that his book may perhaps serve as an introduction. As he very truly says: "There is much to be learnt about money before entering upon those abstruse questions, which barely admit of decided answers. In studying a language, we begin with the grammar before we try to read and write. In mathematics, we practice ourselves in simple arithmetic before we proceed to the subtleties of algebra and the differential calculus. But it is the grave misfortune of the moral and political sciences, that they are continually discussed by those who have never labored at the elementary grammar or the simple arithmetic of the subject. Hence the extraordinary schemes and fallacies every now and then put forth." To illustrate this mania for currency fallacies, Mr. Jevons tells us of "men who spend their time and fortunes in endeavoring to convince a dull world that poverty can be abolished by the issue of printed bits of paper. I know one gentleman who holds that exchequer bills are the panacea for the evils of humanity. Other philanthropists wish to make us all rich by coining

the National debt, or coining the lands of the country, or coining everything. Another class of persons have long been indignant that, in this age of free trade, the mint price of gold should still remain arbitrarily fixed by statute. A member of Parliament lately discovered a new grievance, and made his reputation by agitating against the oppressive restrictions on the coinage of silver at the mint. No wonder so many people are paupers when there is a deficiency of shillings and sixpences, and when the amount merely of the rates and taxes paid in a year exceeds the whole sum of money circulating in the kingdom." The reader will see from these statements that we have no monopoly in this country in the manufacture of currency sophisms, but that in England there are competitors who would vie with Mr. Kelly, and surpass General Butler, in their devotion to paper money, and their worship of the idol of inflation. In the book before us Mr. Jevons does not discuss inflation except incidentally. The first half of his book is taken up by a historical account of metallic money, from the earliest recorded use of coin to the present time. This is the most valuable part of Mr. Jevons's work. It is written in a clear, popular style, and with great accuracy as to facts. In the English language we know of no work on coinage which is more fit to be put in the hands of the young student of this branch of monetary science. The second part of the book is less useful. It treats of the paper substitutes for money, and the writer confuses himself and his reader by dubious statements concerning the nature and functions of credit and credit documents. On this account some parts of the book must be read with caution. Moreover, the historical details relative to the clearing-house system abroad are not quite so accurate and full as might be wished. The few blemishes which, from such causes, have crept into this excellent book, are probably due in part to haste, and can be with ease corrected when the second edition is called for.

---

*History of the Legal-Tender Paper Money.* By E. G. SPAULDING. Second Edition. 1875.

As we lately announced, Mr. Spaulding's history of the greenback issues of the United States has passed to a second edition. The new matter which has been added will adapt the work to meet the new issues of the present day. Since 1869, when Mr. Spaulding's history first appeared, several important decisions on the legal-tender question have been pronounced by the U. S. Supreme Court. Since 1869, too, the aggregate issue of the greenbacks has been increased from three hundred and fifty-six millions to its maximum of three hundred and eighty-two millions in 1874. Moreover, a multitude of novel questions have been raised during the agitation of the past five years, on several of which Mr. Spaulding endeavors to throw light in the new introduction and the new appendix with which he has enriched the present volume. The authentic and accurate character of Mr. Spaulding's history recommends it as indispensable to a thorough investigation of the earlier and later phases of our paper-money system. In previous pages of this magazine we have given copious extracts from this book, and we shall have future occasion to draw from it as a record of monetary annals which partakes of a semi-official character, from the fact that Mr. Spaulding is not only as a banker familiar with the events he narrates, but was Chairman of the Sub-Committee of Ways and Means at the time the legal-tender act was passed.

*Weights, Measures, and Money of all Nations.* Compiled by F. W. CLARKE, S. B., Professor of Physics and Chemistry in the University of Cincinnati. 1875. New York: D. Appleton & Co.

In this useful little volume Mr. Clarke has collected a mass of practical information, and has digested it in a form so lucid and convenient that his book must soon take place of the more cumbrous works of reference on the same subject. Within the limits of 120 pages the reader finds a series of tables arranged in alphabetical order, so that he can find anything he wants without a moment's delay. Merchants, bankers, and students of political economy will hold this work almost indispensable when they have once tried it and found out its value. It is divided into two sections. In the first part, which consists of eighty-four pages, there is a classification, which is arranged according to countries, and describes the weights, measures, and money of each. In the second part, which fills the rest of the volume, we have a series of nine tables, in which the value of each unit of money weight or measure, is given both in English and in metric standards. Mr. Clarke has taken pains to set down in parallel columns the value of all the weights and measures expressed in the metric system. This he has done in all his tables, so that, side by side with each of the ordinary weights and measures, you find its metric equivalent. This characteristic feature of the book is the more interesting from the fact that the metric weights and measures are now legal in this country, and are used by at least twenty nations besides. Hence they deserve some attention, if not as much as our own more locally familiar and more ancient systems. Many persons think that our three sets of weights, our three gallons, and our two dissimilar bushels, all unrelated to each other, or to the units of length, must soon give way before the simplicity and elegance of the metric system. Those of our readers who do not believe in the imminence of this reform will at least be interested to see the symmetry which a single system of units gives to comparative measurements. To most of our readers the chief interest of the book will perhaps be found in the numismatic dictionary, which constitutes the ninth of the series of tables, and records the value of the chief European, Asiatic and American coins known to modern commerce, expressing this value in dollars, francs, marks, and pounds sterling, in parallel columns. The convenient form of this volume for desk use is by no means the least of its numerous merits.

---

*Money, Currencies, and Banking.* By CHARLES MORAN. 1875. New York.

Mr. Moran's views on money and banking are well known. In the pamphlet before us he has given a vigorous exposition and defense of his theory, with illustrations from the financial history of Europe and of this country. Many of our readers, like ourselves, will disagree with several of Mr. Moran's principles, and refuse to accept his distinctive doctrines. But those who dissent from as well as those who espouse them, may find in the pamphlet before us much suggestive information, while the sincere and candid tone of the work commends it to those currency students who want to explore the financial question by the aid of various lights, and to examine it from opposite points of view. We are indebted to Brentano for an early copy of this work.

*The Legal-Tender Acts, considered in relation to their Constitutionality and their Political Economy.* By SAMUEL T. SPEAR, D. D. 1875. New York: Baker, Voorhis & Co., Publishers.

Dr. Spear is one of the editors of the *Independent*, in which journal first appeared a series of articles which are republished in this pamphlet, and contain a historical and descriptive critique upon the legal-tender decisions of the United States Supreme Court. So far as they are here discussed these decisions are three. The first is that of *Bank v. Supervisors* (7 Wallace, 26), in which the Court held that the dollars promised on the face of the greenbacks are the coined dollars of the United States. The second decision, that of *Hepburn v. Griswold* (8 Wallace, 603), declared unconstitutional that clause in the acts of 1862 and 1863 which makes greenbacks a legal tender for debts contracted *before* the passage of those acts. But it affirmed the constitutionality of the legal-tender provision so far as it applies to debts contracted *after* the passage of those acts. The third decision was rendered a year later—December Term, 1870—in the case of *Knox v. Lee* (12 Wallace, 457). It lays down the present law of legal tender as follows: 1. The acts of Congress known as the legal-tender are constitutional when applied to contracts made before their passage. 2. They are also valid as applicable to contracts since made. It has been affirmed that the third of these decisions is wholly contradictory of the second and overthrows it altogether. This loose statement is very erroneous and misleading. The three decisions of the Supreme Court agree perfectly with one another on all points except one. This single point of difference is important, and should be thoroughly understood by every one who aspires to write or converse intelligently on the monetary question. Every banker and merchant is expected to be able to give his customers accurate information on such topics, and in this country our bankers are not inferior, on the average, to those of other nations in point of intelligence. From what has been said it will be seen that the second of the three decisions above given denied that the greenbacks could be made a legal tender for debts existing before the law was passed which first sanctioned greenback issues, 25th February, 1862. On the contrary, the third decision affirmed that the greenbacks were a legal tender for such debts. But all the decisions agree in declaring the validity of the legal-tender clause as to debts created since the law was passed. On this point there has never been any conflict of judicial decision in the Supreme Court. The law, as it now stands on this subject, is, as we have said, that the greenback is a legal tender for all contracts before or since 1862, except, indeed, coin dollars are positively specified and mutually and explicitly agreed upon in the contract. In discussing the various questions suggested by these decisions, Dr. Spear gives a sketch of the history of paper money in this country, from the earliest times to the present day. After an exhaustive and logical exploration of the whole subject, he declares that it was neither wise, necessary, nor in accordance with the organic law of our National jurisprudence, that the greenbacks should ever have been made a legal tender at all. At the close of his book Dr. Spear gives an elaborate refutation of Mr. Kelly's interconvertible bond scheme. This last essay is the best of the series, and we print it in full elsewhere.

## BANKS AND BILLS OF LADING.

## THE DUTY OF A COLLECTING BANK TO SURRENDER BILLS OF LADING UPON THE ACCEPTANCE OF TIME DRAFTS.

SUPREME COURT OF THE UNITED STATES.

*The National Bank of Commerce of Boston, Plaintiff in Error, vs. The Merchants' National Bank of Memphis.*

The court below (Judge Shepley) ruled that the collecting bank (the National Bank of Commerce) was liable for surrendering bills of lading attached to time drafts upon acceptance, even without instructions to hold.

This decision has been overruled by the Supreme Court, and the law settled that it is the duty of the collecting bank to surrender bills of lading upon acceptance of time drafts, unless orders are given to hold:—

## OPINION OF THE COURT.

STRONG, J.—The fundamental question in this case is, whether a bill of lading of merchandise deliverable to order, when attached to a time draft, and forwarded with the draft to an agent for collection, without any special instructions, may be surrendered to the drawee on his acceptance of the draft, or whether the agent's duty is to hold the bill of lading after the acceptance, for the payment. It is true there are other questions growing out of portions of the evidence, as well as one of the findings of the jury, but they are questions of secondary importance. The bills of exchange were drawn by cotton brokers residing in Memphis, Tennessee, on Green & Travis, merchants residing in Boston. They were drawn on account of cotton shipped by the brokers to Boston, invoices of which were sent to Green & Travis, and bills of lading were taken by the shippers, marked in case of two of the shipments "to order," and in case of the third shipment marked "for Green & Travis, Boston, Mass." There was an agreement between the shippers and the drawees that the bill of lading should be surrendered on acceptance of the bills of exchange, but the existence of this agreement was not known by the Bank of Memphis when that bank discounted the drafts and took with them the bills of lading indorsed by the shippers. We do not propose to inquire now whether the agreement, under these circumstances, ought to have any effect upon the decision of the case. Conceding that bills of lading are negotiable, and that their indorsement and delivery pass the title of the shippers to the property specified in them, and, therefore, that the plaintiffs, when they discounted the drafts and took the indorsed railroad receipts or bills of lading, became the owners of the cotton,—it is still true they sent the bills with the drafts to their correspondents in New York, the Metropolitan Bank, with no instructions to hold them after acceptance. And the Metropolitan Bank transmitted them to the defendants in Boston, with no other instruction than that the bills were sent "for collection." What, then, was the duty of the defendants? Obviously it was first to obtain the acceptance of the bills of exchange. But Green & Travis were not bound to accept, even though they had ordered the cotton, unless the bills of lading were delivered to them contemporaneously with their acceptance. Their agreement with their vendors, the shippers, secured them against such an obligation. Moreover, independent of this agreement, the drafts upon their face showed that they had been drawn upon the cotton covered by the bills of lading. Both the plaintiffs and their agents, the defendants, were thus informed that the bills were not drawn upon any funds of the drawers in the hands of Green & Travis, and that they were expected to be paid out of the proceeds of the cotton. But how could they be paid out of the proceeds of the cotton if the bills of lading were

withheld? Withholding them, therefore, would defeat alike the expectation and the intent of the drawers of the bills. Hence, were there nothing more, it would seem that a drawer's agent to collect a time bill, without further instructions, would not be justified in refusing to surrender the property against which the bill was drawn, after its acceptance, and thus disable the acceptor from making payment out of the property designated for that purpose.

But it seems to be a natural inference, indeed a necessary implication, from a time draft accompanied by a bill of lading indorsed in blank, that the merchandise (which in this case was cotton) specified in the bill was sold on credit, to be paid for by the accepted draft, or that the draft is a demand for an advance on the shipment, or that the transaction is a consignment to be sold by the drawee on account of the shipper. It is difficult to conceive of any other meaning the instruments can have. If so, in the absence of any express arrangement to the contrary, the acceptor, if a purchaser, is clearly entitled to the possession of the goods on his accepting the bill and thus giving the vendor a completed contract for payment. This would not be doubted if, instead of an acceptance, he had given a promissory note for the goods, payable at the expiration of the stipulated credit. In such a case it is clear the vendor could not retain possession of the subject of the sale after receiving the note for the price. The idea of a sale on credit is that the vendee is to have the thing sold, on his assumption to pay, and before actual payment. The consideration of the sale is the note. But an acceptor of a bill of exchange stands in the same position as the maker of a promissory note. If he has purchased on credit and is denied possession until he shall make payment, the transaction ceases to be what it was intended, and is converted into a cash sale. Everybody understands that a sale on credit entitles the purchaser to immediate possession of the property sold, unless there be a special agreement that it may be retained by the vendor, and such is the well recognized doctrine of the law. The reason for this is, that very often, and with merchants generally, the thing purchased is needed to provide means for the deferred payment of the price. Hence, it is justly inferred that the thing is intended to pass at once within the control of the purchaser. It is admitted that a different arrangement may be stipulated for. Even in a credit sale it may be agreed by the parties that the vendor shall retain the subject until the expiration of the credit, as a security for the payment of the sum stipulated. But if so, the agreement is special, something superadded to an ordinary contract of sale on credit, the existence of which is not to be presumed. Therefore, in a case where the drawing of a time draft against a consignment raises the implication that the goods consigned have been sold on credit, the agent to whom the draft to be accepted and the bill of lading to be delivered have been intrusted cannot reasonably be required to know, without instruction, that the transaction is not what it purports to be. He has no right to assume and act on the assumption that the vendee's term of credit must expire before he can have the goods, and that he is bound to accept the draft, thus making himself absolutely responsible for the sum named therein, and relying upon the vendor's engagement to deliver at a future time. This would be treating a sale on credit as a mere executory contract to sell at a subsequent date.

And, if the inference to be drawn from a time draft accompanied by a bill of lading is not that it evidences a credit sale, but a request for advances on the credit of the consignment, the consequence is the same. Perhaps it is even more apparent. It plainly is, that the acceptance is not asked on the credit of the drawer of the draft, but on the faith of the consignment. The drawee is not asked to accept on the mere assurance that the drawer will at a future day deliver the goods to reimburse the advances. He is asked to accept in reliance on a security in hand. To refuse to him that security is to deny him the basis of his requested acceptance. It is remitting him to the personal credit of the drawer alone. An agent for collection having the draft and attached bill of lading cannot be permitted, by declining to surrender the bill of lading on the acceptance of the bill, to disappoint the obvious intentions of the parties, and deny to the acceptor a substantial right which by his contract is assured to him. The same remarks are applicable to the case of an implication that the merchandise was shipped to be sold on account of the shipper.

Nor can it make any difference that the draft with the bill of lading has been sent to an agent (as in this case) "for collection." That instruction means simply to rebut the inference from the indorsement that the agent is the owner of the draft. It indicates an agency.—(*Sweeny vs. Easter*, 1 Wallace, 166.) It does not conflict with the plain inference from the draft and accompanying bill of lading, that the former was a request for a promise to pay at a future time for goods sold on credit, or a request to make advances on the faith of the described consignment, or a request to sell on account of the shipper. By such a transmission to the agent he is instructed to collect the money mentioned in the drafts, not to collect the bill of lading. And the first step in the collection is procuring acceptance of the draft. The agent is, therefore, authorized to do all which is necessary to obtaining such acceptance. If the drawee is not bound to accept without the surrender to him of the consigned property or of the bill of lading, it is the duty of the agent to make that surrender, and if he fails to perform his duty, and in consequence thereof acceptance be refused, the drawer and indorsers of the draft are discharged.—(*Mason vs. Hunt*, 1 Douglas, 297.)

The opinions we have suggested are supported by other very rational considerations. In the absence of special agreement, what is the consideration for acceptance of a time draft drawn against merchandise consigned? Is it the merchandise, or is it the promise of the consignor to deliver? If the latter, the consignor may be wholly irresponsible. If the bill of lading be to his order, he may, after acceptance of the draft, indorse it to a stranger, and thus wholly withdraw the goods from any possibility of their ever coming to the hands of the acceptor. Is, then, the acceptance a mere purchase of the promise of the drawer? If so, why are the goods forwarded before the time designated for payment? They are as much after shipment under the control of the drawer as they were before. Why incur the expense of storage and of insurance? And if the draft with the goods or with the bill of lading be sent to a bank for collection, as in the case before us, can it be incumbent upon the bank to take and maintain custody of the property sent during the interval between the acceptance and the time fixed for payment? (The shipments in this case were hundreds of bales of cotton.) Meanwhile, though it be a twelvemonth, and no matter what the fluctuations in the market value of the goods may be, are the goods to be withheld from sale or use? Is the drawee to run the risk of falling prices, with no ability to sell till the draft is due? If the consignment be of perishable articles, such as peaches, fish, butter, eggs, etc., are they to remain in a warehouse until the term of credit shall expire? And who is to pay the warehouse charges? Certainly not the drawees. If they are to be paid by the vendor, or one who has succeeded to the place of the vendor by indorsement of the draft and bill of lading, he fails to obtain the price for which the goods were sold.

That the holder of a bill of lading, who has become such by indorsement, and by discounting the draft drawn against the consigned property, succeeds to the situation of the shipper, is not to be doubted. He has the same right to demand acceptance of the accompanying bill, and no more. If the shipper cannot require acceptance of the draft without surrendering the bill of lading, neither can the holder. Bills of lading, though transferable by indorsement, are only *quasi* negotiable.—(1 Parsons on Shipping, 192; *Blanchard vs. Page*, 8 Gray, 297, *a.*) The indorser does not acquire a right to change the agreement between the shipper and his vendee. He cannot impose obligations or deny advantages to the drawee of the bill of exchange drawn against the shipment, which were not in the power of the drawer and consignor. But were this not so, in the case we have now in hand, the agents for collection of the drafts were not informed, either by the drafts themselves, or by any instructions they received, or in any other way, that the ownership of the drafts and bills of lading was not still in the consignors of the cotton. On the contrary, as the drafts were sent "for collection," they might well conclude that the collection was to be made for the drawers of the bills. We do not, therefore, perceive any force in the argument pressed upon us, that the Bank of Memphis was the purchaser of the drafts drawn upon Green & Travis, and the holder of the bills of lading by indorsement of the shippers.



It is urged that the bills of lading were contracts collateral to the bills of exchange which the bank discounted, and that when transferred they became a security for the principal obligation, namely, the contract evidenced by the bills of exchange; for the whole contract, and not a part of it, and that the *whole* contract required not only the acceptance, but the payment of the bills. The argument assumes the very thing to be proved, to wit: that the transfer of the bills of lading was made to secure the payment of the drafts. The opposite of this, as we have seen, is to be inferred from the bills of lading and the time drafts drawn against the consignments, unexplained by express stipulations. The bank, when discounting the drafts, was bound to know that the drawers on their acceptance were entitled to the cotton, and, of course, to the evidences of title to it. If so, they knew that the bills of lading could not be a security for the ultimate payment of the drafts. Payment of the drafts by the drawees was no part of the contract when the discounts were made. The bills of exchange were then incomplete. They needed acceptance. They were discounted in the expectation that they would be accepted, and that thus the bank would obtain additional promissors. The whole purpose of the transfers of the bills of lading to the bank may, therefore, well have been satisfied when the additional names were secured by acceptance, and when the drafts thereby became completed bills of exchange. We have already seen that whether the drafts and the accompanying bills of lading evidenced sales on credit, or requests for advancements on the cotton consigned, or bailments to be sold on the consignor's account, the drawees were entitled to the possession of the cotton before they could be required to accept, and that if they had declined to accept because possession was denied to them concurrently with their acceptance, the effect would have been to discharge the drawers and indorsers of the drafts. The demand of acceptance, coupled with a claim to retain the bills of lading, would have been an insufficient demand. Surely, the purpose of putting the bills of lading into the hands of the bank was to secure the completion of the drafts by obtaining additional names upon them, and not to discharge the drawers and indorsers, leaving the bank only a resort to the cotton pledged.

It is said that if the plaintiffs were not entitled to retain the bills of lading as a security for the payment of the drafts after their acceptance, their only security for payment was the undertaking of the drawees, who were without means, and the promise of the acceptors, of whose standing and credit they knew nothing. This may be true, though they did know that the acceptors had previously promptly met their acceptances, which were numerous and large in amount. But if they did not choose to rely solely on the responsibility of the acceptors and drawers, they had it in their power to instruct their agents not to deliver the cotton until the drafts were paid. Such instructions are not unfrequently given in case of time drafts against consignments, and the fact that they are given tends to show that in the commercial community it is understood, without them, agents for collection would be obliged to give over the bills of lading on acceptance of the draft. Such instructions would be wholly unnecessary, if it is the duty of such agents to hold the bills of lading as securities for the ultimate payment.

Thus far we have considered the question without reference to any other authority than that of reason. In addition to this, we think, the decisions of the courts and the language of many eminent judges accord with the opinions we avow. In the case of *Lanfear vs. Blossom*, 1 Louisiana Reps., 143, the very point was decided, after an elaborate argument both by the counsel and by the Court. It was held that "where a bill of exchange drawn on a shipment, and payable a certain number of days after sight, is sold, with the bill of lading appended to it, the holder of the bill of exchange cannot, in the absence of proof of any local usage to the contrary, or of the imminent insolvency of the drawee, require the latter to accept the bill of exchange, except on the delivery of the bill of lading; and when, in consequence of the refusal of the holder to deliver the bill of lading, acceptance is refused and the bill protested, the protest will be considered as made without cause, the drawee not having been in default, and the drawer will be discharged." This decision is not to be distinguished in its essential features from the opinions we have expressed. A judgment in the same case to the same effect was given

in the commercial court of New Orleans by Judge Watts, who supported it by a very convincing opinion.—(14 Hunt's Merchants' Magazine, 264.) These decisions were made in 1845 and 1846. In other courts, also, the question has arisen, what is the duty of a collecting bank to which time drafts, with bills of lading attached, have been sent for collection? and the decisions have been that the agent is bound to deliver the bills of lading to the acceptor on his acceptance. In the case *The Wisconsin Marine and Fire Insurance Company vs. The Bank of British North America*, 21 Upper Canada Queen's Bench Reps., 284, decided in 1861, where it appeared that the plaintiff, a bank at Milwaukee, Wisconsin, had sent to the defendants, a bank at Toronto, for collection, a bill drawn by A, at Milwaukee, on B at Toronto, payable forty-five days after date, together with a bill of lading, indorsed by A, for certain wheat sent from Milwaukee to Toronto, it was held that, in the absence of any instructions to the contrary, the defendants were not bound to retain the bill of lading until payment of the draft by B, but were right in giving it up to him on obtaining his acceptance. The case was reviewed in 1863 in the Court of Error and Appeal, and the judgment affirmed. (2 Upper Canada Error and Appeal Reps., 282. See, also, *Goodenough vs. The City Bank*, 10 Upper Canada Com. Pleas, 51; *Clark vs. The Bank of Montreal*, 13 Grant's Cha., 211.)

There are also many expressions of opinion by the most respectable courts, which, though not judgments, and, therefore, not authorities, are of weight in determining what are the implications of such a state of facts as this case exhibits. In *Shepherd vs. Harrison*, Law Rep. Q. B., vol. 4, p. 493, Lord Cockburn said: "The authorities are equally good to show, when the consignee sends the bill of lading to an agent in this country to be by him handed over to the consignee, and accompanies that with bills of exchange to be accepted by the consignee," that that "indicates an intention *that the handing over of the bill of lading and the acceptance of the bill or bills of exchange should be concurrent parts of one and the same transaction.*" The case subsequently went to the House of Lords, 5 H. L., 133, when Lord Cairns said: "If they (the drawees) accept the cargo and bill of lading, and accept the bill of exchange drawn against the cargo, the object of those who shipped the goods is obtained. They have got the bill of exchange in return for the cargo; they discount, or use it as they think proper, and they are virtually paid for the goods." In *Coventry vs. Gladstone*, 4 Law Rep., Eq., 493, it was declared by the Vice-Chancellor that "the parties shipping the goods from Calcutta, in the absence of any stipulation to the contrary, did give their agents in England full authority, if they thought fit, to pass over the bill of lading to the person who had accepted the bill of exchange" drawn against the goods and attached to the bill of lading, and it was ruled that an alleged custom of trade to retain the bill of lading until payment of the accompanying draft on account of the consignment was exceptional, and was not established as being the usual course of business. In *Schuhart et al. vs. Hall et al.*, 39 Maryland, 590, which was a case of a time draft, accompanied by a bill of lading, hypothecated by the drawer, both for the acceptance and payment of the draft, and when the drawers had been authorized to draw against the cargo shipped, it was said by the Court, "under their contract with the defendants the latter were authorized to draw only against the cargo of wheat to be shipped by the Ocean Belle, and they (the drawees) were, therefore, not bound to accept without the delivery to them of the bill of lading." See also the language of the Judges in *Gurney vs. Behrend*, 3 E. and Bl., 622; *Marine Bank vs. Wright*, 48 N. Y. Cayuga Bank vs. Daniels, 47 N. Y., 631.

We have been unable to discover a single decision of any court holding the opposite doctrines. Those to which we have been referred as directly in point, determine nothing of the kind. *Gilbert vs. Guignon*, Law Reps., 8 Cha., 16, was a contest between two holders of several bills of lading of the same shipment. The question was, which had priority? It was not at all whether the drawee of a time draft against a consignment has not a right to the bill of lading when he accepts. The drawee had accepted without requiring the surrender of the first indorsed bill of lading, and the Lord Chancellor, while suggesting a query whether he might not have declined to accept unless the bills of lading were at the same time delivered up to him, remarked, "if

he was content they should remain in the hands of the holder, it was exactly the same thing as if he had previously and originally authorized that course of proceeding, and that (according to the Chancellor's view) was actually what had happened in the case." Nothing, therefore, was decided respecting the rights of the holder of a time draft, to which a bill of lading is attached, as against the drawee. The contest was wholly *inter alias partes*.

*Seymour vs. Newton*, 105 Mass., 272, was the case of an acceptance of the draft, without the presentation of the bill of lading. In that respect it was like *Gilbert vs. Guignon*. No question, however, was made in regard to this. The acceptor became insolvent before the arrival of the goods, and all that was decided was that, under the circumstances, the jury would be authorized to find that the lien of the shippers had not been discharged. It was a case of stoppage *in transitu*. It is true that in delivering the opinion of the court Chief Justice Chapman said: "The obvious purpose was that there should be no delivery to the vendee till the draft should be paid." But the remark was purely *obiter*, uncalled for by anything in the case. *Newcomb vs. The Boston and Lowell Railroad Corporation*, 115 Mass., 230, was also the case of acceptance of sight drafts without requiring the delivery of the attached bills of lading, and the contest was not between the holder of the drafts and the acceptor. It was between the holder of the drafts with the bills of lading, and the carrier. We do not perceive that the case has any applicability to the question we have now under consideration. True, there, as in the case of *Seymour vs. Newton*, it was remarked by the Judge who delivered the opinion: "The railroad receipts were manifestly intended to be held by the collecting bank as security for the acceptance and payment of the drafts." Intended by whom? Evidently the Court meant by the drawees and the bank, for it is immediately added: "They continued to be held by the bank after the drafts had been accepted by Chandler & Co. (the drawees), and until at Chandler & Co.'s request they were paid by the plaintiff, and the receipts, with the drafts still attached, were indorsed and delivered by Chandler & Co. to the plaintiff." In *Stollenwork et al. vs. Thatcher et al.*, 115 Mass., 224 (the only other case cited by the defendants in error as in point on this question), there were instructions to the agent to deliver the bill of lading only on payment of the draft, and it was held that the special agent, thus instructed, could not bind his principal by a delivery of the bill without such payment. Nothing was decided that is pertinent to the present case. In *Bank vs. Bayley*, reported in the same volume, p. 228, where the instructions given to the collecting agent were, so far as it appears, only that the drafts and bills of lading were remitted for collection, and where acceptance was refused, Chief-Justice Gray said: "The drawees of the draft attached to each of the bills of lading were not entitled to the bill of lading, or the property described therein, except upon acceptance of the draft." It is but just to say, however, that this remark, as well as those made by the same Judge in the other Massachusetts cases cited, was aside from the decision of the Court.

After this review of the authorities cited, as in point, in the very elaborate argument for the defendants in error, we feel justified in saying that, in our opinion, no respectable case can be found in which it has been decided that when a time draft has been drawn against a consignment to order, and has been forwarded to an agent for collection with the bill of lading attached, without any further instructions, the agent is not justified in delivering over the bill of lading on the acceptance of the draft.

If this, however, were doubtful, the doubt ought to be resolved favorably to the agent. In the case in hand, the Bank of Commerce, having accepted the agency to collect, was bound only to reasonable care and diligence in the discharge of its assumed duties.—(*Warren vs. the Suffolk Bank*, 10 Cushing, 582.) In a case of doubt, its best judgment was all the principal had a right to require. If the absence of specific instructions left it uncertain what was to be done further than to procure acceptances of the drafts, and to receive payment when they fell due, it was the fault of the principal. If the consequence was a loss, it would be most unjust to cast the loss on the agent.

Applying what we have said to the instruction given by the learned Judge of the Circuit Court to the jury, it is evident that he was in error. Without

discussing in detail the several assignments of error, it is sufficient for the necessities of this case to say it was a mistake to charge the jury as they were charged, that "in the absence of any consent of the owner of a bill of exchange, other than such as may be implied from the mere fact of sending 'for collection' a bill of exchange with a bill of lading pasted or attached to a bill of exchange, the bank so receiving the two papers for collection would not be authorized to separate the bill of lading from the bill of exchange and surrender it before the bill of exchange was paid." And again, there was an error in the following portion of the charge: "But if the Metropolitan Bank merely sent to the defendant bank the bills of exchange with the bills of lading attached for collection, with no other instructions, either expressed or implied from the past relations of the parties, they would not be so justified in surrendering (the bills of lading) on acceptance only." The Bank of Commerce can be held liable to the owners of the drafts for a breach of duty in surrendering the bills of lading on acceptance of the drafts only after special instructions to retain the bills until payment of the acceptances. The drafts were all time drafts. One, it is true, was drawn at sight, but in Massachusetts such drafts are entitled to grace.

What we have said renders it unnecessary to notice the other assignments of error.

The judgment of the Circuit Court is reversed, and the record is remitted with directions to award a new trial.

## THE LAW OF BILLS OF LADING.

### THEIR EFFECT IN CONVEYING TITLE TO PROPERTY SHIPPED.

#### SUPREME COURT OF THE UNITED STATES.

*David Dows, et. al. vs. The National Exchange Bank, of Milwaukee, and the Wisconsin Marine and Fire Ins. Co.—Error to the Circuit Court of United States for the Southern District of New York.*

Another important decision of the Supreme Court of the United States has just been given in the suits of the National Exchange Bank and the Wisconsin Marine and Fire Insurance Co. Bank, of Milwaukee, against David Dows & Co., of New York, in regard to the title to several cargoes of wheat advanced on by these banks in the fall of 1869. The amount involved, in all the cases, was originally about \$125,000. The decision of the Court is in favor of the banks, and results in their recovery of the full amount involved.

#### OPINION OF THE COURT.

STRONG, J.—The verdict of the jury having established that the wheat came to the possession of the defendants below (now plaintiffs in error), and that there was a conversion, there is really no controversy respecting any other fact in this case than whether the ownership of the plaintiffs had been divested before the conversion. The evidence bearing upon the transmission of the title was contained mainly in written instruments, the legal effect of which was for the Court, and, so far as there was evidence outside of these instruments, it was either uncontradicted, or it had no bearing upon the construction to be given to them. We have, therefore, only to inquire to whom the wheat belonged when it came to the hands of the defendants, and when they refused to surrender it at the demand of the plaintiffs.

It is not open to question that McLaren & Co., having purchased it at Milwaukee and paid for it with their own money, became its owners. Though they had received orders from A. F. Smith & Co. to buy wheat for them and to ship it, they had not been supplied with funds for the purpose, nor had they assumed to contract with those from whom they purchased on behalf of their correspondents. They were under no obliga-

tion to give up their title or the possession on any terms other than such as they might dictate. If, after their purchase, they had sold the wheat to any person living in Milwaukee or elsewhere, other than A. F. Smith & Co., no doubt their vendee would have succeeded to the ownership. Nothing in any agency for A. F. Smith & Co. would have prevented it. This we do not understand to be controverted. Having, then, acquired the absolute ownership, McLaren & Co. had the complete power of disposition, and there is no pretense that they directly transmitted their ownership to A. F. Smith & Co. They doubtless expected that firm to become purchasers from them. They bought from their vendors with that expectation. Accordingly they drew drafts for the price, but they never agreed to deliver the wheat to the drawees unless upon the condition that the drafts should be accepted and paid. They shipped it, but they did not consign it to Smith & Co., and they sent to that firm no bills of lading. On the contrary, they consigned the wheat to the cashier of the Milwaukee Bank and handed over to that bank the bills of lading as a security for the drafts drawn against it—drafts which the bank purchased. It is true they sent invoices. That, however, is of no significance by itself. The position taken on behalf of the defendants, that the transmission of the invoices passed the property in the wheat without the acceptance and payment of the drafts drawn against it, is utterly untenable. An invoice is not a bill of sale, nor is it evidence of a sale. It is a mere detailed statement of the nature, quantity, and cost or price of the things invoiced, and it is as appropriate to a bailment as it is to a sale. It does not of itself necessarily indicate to whom the things are sent, or even that they have been sent at all. Hence, standing alone, it is never regarded as evidence of title. It seems unnecessary to refer to authorities to sustain this position. Reference may, however, be made to *Shepherd vs. Harrison*, Law Rep., 4, Ap. Cas., 116, and *Newcomb vs. The Boston and Lowell Railroad Company*, 115 Mass., 230. In these and in many other cases it has been regarded of no importance that an invoice was sent by the shipper to the drawee of the drafts drawn against the shipment, even when the goods were described as bought and shipped on account of and at the risk of the drawee.

It follows that McLaren & Co. remained the owners of the wheat, notwithstanding their transmission of the invoices to A. F. Smith & Co. As owners, then, they had a right to transfer it to the plaintiffs as a security for the acceptance and payment of their drafts drawn against it. This they did by taking bills of lading deliverable to the cashier of the plaintiffs, and handing them over with the drafts when the latter were discounted. These bills of lading unexplained are almost conclusive proof of an intention to reserve to the shipper the "jus disponendi" and prevent the property in the wheat from passing to the drawees of the drafts. Such is the rule of interpretation as stated in *Benjamin on Sales*, page 306, and in support of it he cites numerous authorities, to only one of which we make special reference—*Jenkyns vs. Brown*, 14 Q. B., 496. There it appeared that the plaintiff was a commission merchant, living in London, and employing Klingender & Co. as his agents at New Orleans. The agents purchased for the plaintiff a cargo of corn, paying for it with their own money. They then drew upon him at thirty days sight, stating in the body of the drafts that they were to be placed to the account of the corn. These drafts they sold, handing over to the purchaser with them the bills of lading, which were made payable to the order of Klingender & Co., the agents, and they sent invoices and a letter of advice to the plaintiff, informing him that the cargo was bought and shipped on his account. On this state of facts the Court ruled that the property did not pass to the plaintiff; that the taking of a bill of lading by Klingender & Co., deliverable to their own order, was "nearly conclusive evidence that they did not intend to pass the property in the corn, and that by indorsing the bills of lading to the buyer of the bills of exchange they had conveyed to him a special property in the cargo, so that the plaintiff's right to the corn could not arise until the bills of exchange were paid by him. And that such is the legal effect of a bill of lading taken deliverable to the shipper's own order; that it is inconsistent with an intention to pass the ownership of the cargo to the person on whose account it may have been purchased, even when the shipment has been

made in the vessel of the drawee of the drafts against the cargo, has been repeatedly decided.—(Turner *vs.* The Trustees of the Liverpool Docks, 6 Exch., 543; Schorman *vs.* Railway Co., Law Rep., 2 Cha. Ap., 336; Ellerslaw *vs.* Mag-niac, 6 Exch., 570.) In the present case the wheat was not shipped on the vessels of A. F. Smith & Co., and the bills of lading stipulated for deliveries to the cashier of the Milwaukee Bank. When, therefore, the drafts against the wheat were discounted by the bank, and the bills of lading were handed over with the drafts as security, the bank became the owner of the wheat and had a complete right to retain it until payment. The ownership of McLaren & Co. was transmitted to it, and it succeeded to their power of disposition. That the bank never consented to part with its ownership thus acquired, so long as the drafts it had discounted remained unpaid, is rendered certain by the uncontradicted written evidence. It sent the drafts, with the bills of lading attached, to the Merchants' Bank, Watertown, accompanied with the most positive instructions, by letter and by indorsement on the bills, to hold the wheat until the drafts were paid. And when, subsequently, the Merchants' Bank sent orders to the masters of the carrying vessels to deliver it to the "Corn Exchange Elevator, Oswego, N. Y.," they accompanied the orders with letters to A. F. Smith & Co., the proprietors of the elevator, containing clear instructions to hold the grain and "deliver" it only on payment of the drafts. To these instructions Smith & Co. made no objection. Now, as it is certain that whether the property in the wheat passed to Smith & Co. or not depends upon the answer which must be given to the question whether it was intended by McLaren & Co., or by the Milwaukee Bank, their successors in ownership, that it should pass before payment of the drafts, where can there be any room for doubt? What is there upon which to base an inference that it was intended A. F. Smith & Co. should become immediate owners of the wheat and be clothed with a right to dispose of it at once? Such an inference is forbidden, as we have already said, by the bills of lading made deliverable to W. G. Fitch, cashier of the Milwaukee Bank, and it is inadmissible, in view of the express orders given by that bank to their special agents, the Merchants' Bank at Watertown, directing them to hold the wheat subject to the payment of the drafts drawn against it. No intent to vest immediate ownership in the drawees of the drafts can be implied in the face of these express arrangements and positive orders to the contrary. It is true that A. F. Smith & Co. were the proprietors of the Corn Exchange Elevator, and that the wheat was handed over to the "custody of the elevator" at the direction of the Merchants' Bank, but it cannot be claimed that was a delivery to the drawees under and in pursuance of their contract to purchase. The Merchants' Bank, having been only special agents of the owners, had no power to make such a delivery as would divest the ownership of their principals.—(Stollenwerk *et al. vs.* Thatcher, 115 Mass., 124.) And they made no attempt to divest that ownership. They guardedly retained the "*jus disponendi*." Concurrently with their directions that the wheat should be delivered to the elevator, in the very orders for the delivery, they stated the cargoes were for the account of W. G. Fitch, cashier, and were to be held subject to their order. By accompanying letters to the proprietors of the elevator they stated the cargoes were delivered to them "to be held subject to and delivered only on payment of the drafts drawn by McLaren & Co." All this contemplated a subsequent delivery, a delivery after the receipt of the grain in the elevator and when the drafts should be paid. It negatives directly the possibility that the delivery into the elevator was intended as a consummation of the purchase or as giving title to the purchasers. It was a clear case of bailment, utterly inconsistent with the idea of ownership in the bailees. A man cannot hold as bailee for himself. By the act of accepting goods in bailment he acknowledges a right or title in the bailor. When, therefore, as was said in the court below, "the proprietors of the Corn Exchange Elevator, or A. F. Smith & Co., received the wheat under the instructions of the Merchants' Bank, they received it with the knowledge that the delivery to them was not absolute; that it was not placed in their hands as owners, and that they were not thereby to acquire title." They were informed that there was no intention with the holders of the drafts and bills of lading to let go their ownership so long as the drafts remained unpaid. The possession they had, therefore, was not their posses-

sion. It belonged to their bailors, and they were mere warehousemen and not vendees.

We agree that where a bill of lading has been taken containing a stipulation that the goods shipped shall be delivered to the order of the shipper or to some person designated by him other than the one on whose account they have been shipped, the inference that it was not intended the property in the goods should pass, except by subsequent order of the person holding the bill, may be rebutted, though it is held to be almost conclusive. And we agree, that where there are circumstances pointing both ways, some indicating an intent to pass the ownership immediately, notwithstanding the bill of lading, in other words, where there is anything to rebut the effect of the bill, it becomes a question for the jury whether the property has passed. Such was the case of *Ogg vs. Shuter*, 10 Law Reps., Com. Pleas, 159. There the ordinary effect of a bill of lading deliverable to the shipper's order, was held to be rebutted by the Court sitting with power to draw inferences of fact. The delivery to the carrier was "free on board," and the bill of lading was sent to the consignor's agent. The goods were also delivered into the purchaser's bags, and there was a part payment. But in this case there are no circumstances to rebut the intent to retain ownership exhibited in the bills of lading, and confirmed throughout by the indorsements on the bills, and by the written instructions to hold the wheat till payment of the drafts. Nothing in the evidence received or offered tended to show any other intent. Hence, there was no necessity of submitting to the jury the question whether there was a change of ownership. That would have been an invitation to find a fact of which there was no evidence. The circumstances as relied upon by the plaintiffs in error as tending to show that the property vested in A. F. Smith & Co., cannot have the significance attributed to them.

It is certainly immaterial that the wheat was consigned to W. G. Fitch, cashier, care of the Merchants' Bank, Watertown, and that it was thus consigned at the request of A. F. Smith & Co., made to McLaren & Co. Had it been consigned directly to that bank, and had there been no reservation of the "*jus disponendi*" accompanying the consignment, the case might have been different. Then an intent to deliver to the purchasers might possibly have been presumed, but, as the case was, no room was left for such a presumption. The express direction to hold the wheat for the payment of the drafts, and to deliver it only on payment, removes the possibility of any presumed intent to deliver it while the drafts remained unpaid. A shipment on the purchaser's own vessel is ordinarily held to pass the property to the purchaser, but not so, if the bill of lading exhibits a contrary intent; if thereby the shipper reserves to himself, or to his assigns, the dominion over the goods shipped.—(*Turner vs. The Trustees of the Liverpool Docks*, cited *supra*.) There are many such decisions. A strong case may be found in the Court of Queen's Bench, decided in 1840. It is *Mitchell vs. Ede*, 11 Adol. and Ellis, N. S., 888. A Jamaica planter, being the owner of sugars, and indebted to the defendant residing in London, for more than their value, shipped them at Jamaica on the 4th of April, on a ship belonging to the defendant which was in the habit of carrying supplies to Jamaica to the owner of the sugars, and others, and taking back consignments from him and others. On the same day he took a bill of lading by which the goods were stipulated to be delivered to the defendant at London, he paying freight. Two days afterward (April 6th) the shipper made an indorsement on the bill that the sugars were to be delivered to the defendant only on condition of his giving security for certain payments, but otherwise to the plaintiff's agent. He also drew drafts on the defendant. At the same time he indorsed the bill of lading and delivered it to the plaintiff, to whom he was indebted. The bill was never in the plaintiff's hands. The sugars arrived in London, and the defendant paid the drafts drawn by the shipper, but did not comply with the conditions of the indorsement of April 6th. On this state of facts it was held by the Court that the plaintiff was entitled to the sugar; that the shipper had not parted with the property by delivering it on board the defendant's ship, employed as it was, nor by accepting the bill of lading, as drawn on the 4th of April; and that he was entitled to change the destination of the sugars till he had delivered them, or the bill. In the case

now in hand there never was an instant after the purchase of the wheat by McLaren & Co. when there was not an express reservation of the right to withhold the delivery from A. F. Smith & Co., and also an avowed purpose to withhold it until the drafts should be paid. Consent to consign the wheat to W. G. Fitch, cashier, care of Merchants' Bank, amounts, therefore, to no evidence of consent that it should pass into the control and ownership of the purchasers.

It has been argued on behalf of the plaintiffs in error that the correspondence between A. F. Smith & Co. and McLaren & Co. shows that the wheat was wanted by the former to supply their immediate need, and that, therefore, it was a legitimate inference both parties to the correspondence intended an immediate delivery. If this were so, it was still in the power of the vendors to change the destination of the property until delivery was actually, or at least symbolically, made. And that the intention, if any ever existed, was never carried out, the bills of lading prove. It may be that A. F. Smith & Co. expected to secure early possession of the wheat, by obtaining discounts from the Watertown Bank, and then by taking up the drafts. If so, it would account for their request that the drafts and bills of lading might be sent through that bank, but that has no tendency to show an assent by either McLaren & Co. or the Milwaukee Bank, to an unconditional delivery of the property before payment of the drafts.

Nor does the fact that any engagement to hold themselves responsible for the safe keeping of the wheat for the plaintiffs, and subject to their orders until the drafts drawn against it should be paid, was exacted from the Watertown Bank, have any tendency to prove such an assent. This was an additional protection to the continued ownership of the plaintiffs, and the words of the engagement plainly negative any consent to a divestiture of that ownership.

Without reference, therefore, to the testimony of McLaren, which was in substance that before the shipments, Farwell, the agent of Smith & Co., was informed that while the shipping firm would agree to send their time drafts through any bank he might designate, and consign the property to any responsible bank Smith & Co. might designate, they would adhere to their positive business rule in such cases, and on no account consent that any property so shipped should pass out of the control of the banks in whose care it had been placed until all drafts made against it had been paid; without reference to this, we think it clear the ownership of the wheat, for the conversion of which the defendants were sued, never vested in Smith & Co., never passed out of the plaintiffs.

This is a conclusion necessarily drawn from the written and uncontradicted evidence; and there is nothing in any evidence received, or offered by the defendants and overruled by the Court, which has any tendency to resist the conclusion. It is unnecessary, therefore, to examine in detail the numerous assignments of error in the admission and rejection of evidence. None of the rulings have injured the defendants.

If, then, the Exchange Bank of Milwaukee was the owner of the wheat when A. F. Smith & Co., undertook to ship it to the defendants, and when the defendants received it, and converted it to their use, the right of the bank to recover in this action is incontrovertible. Smith & Co. were incapable of divesting that ownership. The defendants could acquire no title, or even lien, from a tortious possessor. However innocent they may have been (and they were undoubtedly innocent of any attempt to do wrong), they could not obtain ownership of the wheat from any other than the owners. The owner of personal property cannot be divested of his ownership without his consent, except by process of law. It is not claimed, and it could not be, that the defendants were deceived or misled by any act of the plaintiffs. They are the victims of a gross fraud perpetrated by A. F. Smith & Co., and however unfortunate their case may be, they cannot be relieved by casting the loss upon the plaintiffs, who are at least equally innocent with themselves, and who have used the extremest precaution to protect their title.

It is sufficient to add that, in our opinion, there is no just reason for complaint against the instruction given by the Circuit Judge to the jury, and his rulings upon the subject of damages and interest.

The judgment is affirmed.



## THE DISTRICT OF COLUMBIA 3-65 BONDS.

IS THE UNITED STATES GOVERNMENT BOUND FOR THEIR PAYMENT?

### *Opinion of the Attorney-General.*

DEPARTMENT OF JUSTICE, WASHINGTON, October 22, 1875.

*To the President of the United States:*

SIR: The question submitted by the President to the Attorney-General is, whether the faith of the United States is pledged to provide for the payment of the interest and principal of the 3-65 District bonds.

That the faith of the United States is so pledged, I have no doubt whatever, and I respectfully suggest that the contrary opinions which have been given by some eminently respectable lawyers, have resulted from a hasty and superficial examination of the question. The true relation which the District of Columbia bears to the Federal Government seems to have been entirely overlooked.

Under article 1, section 3, clause 17, of the Constitution, Congress has power "to exercise exclusive legislation, in all cases whatsoever, over such District (not exceeding ten miles square), as may, by cession of particular States, and the acceptance of Congress, become the seat of the Government of the United States, and to exercise like authority over all places purchased by the consent of the Legislature of the State in which the same shall be, for the erection of forts, magazines, arsenals, dock-yards, and other needful buildings."

Section 795, Revised Statutes of the United States, provides "that all that part of the Territory of the United States, included within the present limits of the District of Columbia, shall be the permanent seat of the Government of the United States."

Thus Congress has supreme legislative power over the District of Columbia—a power which has never been delegated to any local municipality—Congress exercising direct, exclusive, and absolute legislative authority over the District.

Congress fixes the rate of taxation, declares what property shall be subject to or exempt from taxes in the District, and prescribes the mode of assessment and enforcement of the collection of the taxes imposed. (See the Act of Congress approved March 3, 1875, entitled "An act for the support of the Government of the District of Columbia for the fiscal year ending June 30, 1876, and for other purposes.")

The Treasury of the United States is by law the sole depository of the taxes and revenues of the District. The debt for which Congress authorized the issue of these bonds was made by officers of the United States, whom the President had appointed, and whom the Senate had confirmed, and the debt was contracted chiefly for improving the streets, avenues, and sewers of the District, which are the exclusive property of the United States. (See *Van Ness v. City of Washington*, 4 Peters, 232.)

Had there been no specific pledge on the part of the Government, it would have been bound upon every principle of law, good faith, and common honesty, to pay the interest and principal of these bonds. The debt was incurred by its own officers, the money borrowed was expended for the improvement of its own property, under its own direction.

But on the 30th of June, 1874, Congress passed an act which provides, in the seventh section, for the issue of the District 3-65 bonds; and, to leave no doubt about the liability of the Government, the act of February 20, 1875, was passed, entitled "An act to amend an act entitled 'An act for the Government of the District of Columbia, and for other purposes,'" approved June 20, 1874. Section 7. "That the Sinking Fund Commissioners of said District are hereby continued; and it shall be the duty of said Sinking Fund Commissioners to cause bonds of the District of Columbia to be prepared, in sums of fifty and five hundred dollars, bearing date August 1, 1874, payable fifty years after

date, bearing interest at the rate of three and sixty-five one-hundredths per centum per annum, payable semi-annually, to be signed by the Secretary and the Treasurer of said Sinking Fund Commissioners, and countersigned by the Comptroller of said District, and sealed as the Board may direct, which bonds shall be exempt from taxation by Federal, State, or municipal authority, engraved and printed at the expense of the District of Columbia, and in form not inconsistent herewith; and the faith of the United States is hereby pledged, that the United States will, by proper proportional appropriations, as contemplated in this act, and by causing to be levied upon property within said District such taxes as will do so, provide the revenues necessary to pay the interest on said bonds as the same may become due and payable, and create a sinking fund for the payment of the principal thereof at maturity. Said bonds shall be numbered consecutively, and registered in the office of the Comptroller of said District, and also be registered in the office of the Registrar of the Treasurer of the United States, for which last-named registration the Secretary of the Treasury shall make such provision as may be necessary; and said Commissioners shall use all necessary means for the prevention of any unauthorized or fraudulent issue of any such bonds. And the said Sinking Fund Commissioners are hereby authorized to exchange said bonds at par for like sums of any class of indebtedness in the preceding section of this act named, including sewer taxes or assessments paid, evidenced by certificates of the Auditing Board, provided for in this act." The act still further provides that "the interest of all said bonds shall be payable at the Treasury of the United States." Section seven reads: "And the faith of the United States is hereby pledged that the United States will . . . provide the revenues necessary to pay the interest on said bonds as the same may become due and payable, and create a sinking fund for the payment of the *principal thereof at maturity.*"

The fact that the act points out the means over which the United States has the absolute power to provide the revenues to meet these obligations, only strengthens the pledge of faith which the Government gives.

It was never yet imagined that the obligation of the Government was relaxed, or its faith less securely pledged when it obtained loans in 1842, and subsequently, and pledged the proceeds of public lands and the customs revenues to secure the payment of those loans, because of the mention of these resources of the nation.

The faith of the United States is clearly pledged to the payment of the interest on these "3-65 District Bonds," as the same falls due, and to the payment of the principal of the bonds when the same matures.

There is no way, short of a shameless violation of the clearest principles of settled law and honest dealing, that the Government can escape from the full payment of these bonds.

First. The United States themselves contracted the debt for which these bonds were given.

Second. The United States used the money or labor for which these bonds were given, to improve their own property.

Third. The United States themselves authorized the issue of these bonds to secure their own debt.

Fourth. The United States, by specific Act of Congress, pledged the faith of the nation for the full payment of these bonds, and thus induced innocent holders to take the same and part with value.

Fifth. The United States, to give additional credit to these bonds, pointed out the very ways and means by which they would securely provide the revenues to meet the interest and principal, the Government having absolute control over the ways and means suggested.

Sixth. The United States still further added to its pledge, and strengthened confidence in its plighted faith, by providing in the same act, of February 20, 1875, that "the interest of all said bonds shall be payable at the Treasury of the United States."

If the faith of the United States is not pledged to the payment of both principal and interest of these bonds as the same mature, then the United States have never pledged their faith for any debt.

Very respectfully, etc.,

EDWARDS PIERREPONT, *Attorney-General.*

**THE 3.65 BONDS OF THE DISTRICT OF COLUMBIA.**—The following is the provision of the act (June 30, 1874, section 7, as amended February 20, 1875) authorizing these bonds.

"The faith of the United States is hereby pledged that the United States will, by proper proportional appropriations, as contemplated in this act, and by causing to be levied upon the property within said District such taxes as will do so, provide the revenues necessary to pay the interest on said bonds as the same may become due and payable, and create a sinking fund for the payment of the principal thereof at maturity."

On this Attorney-General Fairchild, of New York, thus remarks:

The fact that the act points out the means (over which the United States has absolute power) to provide the revenues to meet those obligations, only strengthens the pledge of faith which the Government gives. It was never yet imagined that the obligation of the Government was relaxed, or its faith less securely pledged, when it obtained loans in 1842 and subsequently, and pledged the proceeds of the public lands and the customs revenues to secure the payment of those loans, because of the mention of those resources of the nation. The faith of the United States is clearly pledged to the payment of the interest on these 3.65-100 District bonds as the same falls due, and to the payment of the principal of the bonds when the same matures. The United States still further added to its pledges, and strengthened confidence in its plighted faith, by providing in the same act that "*the interest of all said bonds shall be payable at the Treasury of the United States.*" It is not of the smallest consequence whether you treat the United States as guarantors that revenues shall be raised in a particular way to meet the bonds, or as directly responsible to the holders. If the United States are considered as guarantors of the revenues, it comes to the same thing. They agree that certain means, under their absolute control, shall be employed to raise the necessary revenues, and thus pledge that the revenues shall be raised; the force of the obligation is thereby increased.

**THE PAYMENT OF ALTERED CHECKS.**—Kobbe & Co. brought suit against the Chemical Bank in the Supreme Court of New York. Plaintiffs, wishing to deposit \$11,000, in five checks, to their credit in the Chemical Bank, drew the checks, leaving blanks for the payee in four of them, and inserted the payee's name in one. Their cashier, who was also cashier of the Eagle Gas Company, made them all payable to his Company, and drew the money. The plaintiffs then sued the bank, but the Court held that their carelessness in leaving the blanks debarred them from recovering on four. On the note in which the name of the payee had been altered, the jury gave a verdict to plaintiffs for \$1,483.43.

**COUNTY BONDS.**—A number of cases have recently been decided by the United States Circuit Court, now in session in Topeka, Kansas, concerning the resistance of payment of interest on county and city bonds issued in aid of railroads. Most of these decisions have been in favor of the bondholders or railroad companies and against the taxpayers. The doctrine of the Court in passing upon the main question was to the effect that where bonds have been regularly voted for a lawful object they cannot be nullified by informalities in their emission, delivery or sale, but, on the other hand, that where bonds have not been legally voted, or have been voted for an illegal object, they are void, even in the hands of innocent purchasers.

**EXTENSIVE LAND FRAUDS.**—It has recently been discovered that deeds to lands in Northern Arkansas and Southeastern Missouri have for some years past been forged and sold through agencies in Cincinnati, Pittsburgh, Philadelphia, New York, and Manchester, England. It is estimated that deeds to more than 12,000,000 acres of land have been thus disposed of, the valuation being \$25,000,000 to \$30,000,000. The land is owned by non-residents, and, as the records were mostly destroyed during the war, the perpetrators have had every facility to carry out the fraud. The deeds have been sold throughout the United States and England. In consequence of the disclosures, the Grand Jury of Shannon County, Mo., have indicted Thomas K. Harmon, David S. Bingham and James L. Lawton for complicity in the fraud.

## BANKING AND FINANCIAL ITEMS.

**Notice.**—The **Banker's Almanac and Register** for 1876 is now issuing from the press, and will be forwarded by or before January 10th to **Banks and Bankers** whose orders shall then have been received at this office direct. Other orders will be filled about January 25th.

**THE GOLD EXCHANGE—NEW RULES.**—At a meeting of the Gold Exchange the rule fining members \$100 for any sale of gold before or after the regular session of the Board, was amended so as make any offer to sell finable, whether a sale occurred or not.

A resolution increasing the annual dues from \$25 to \$40, reported by the Executive Committee, was laid over, to be decided at a future meeting.

**SAVINGS BANK FAILURES.**—The beginning of December was a period of great excitement among the depositors of some of the New York City Savings Banks. A number of runs took place, and several suspensions, but all among the smaller and weak banks. The following named have closed their doors: Central Park Savings Bank, failed; German Up-town, suspended; Mutual Benefit, suspended; People's Savings Bank, failed; Security, suspended.

The condition of the German Up-town Savings Bank is shown by the report of the Receiver, Herman Uhl, as follows: Liabilities, \$956,117; assets, in Receiver's hands, \$825,303; other assets, nominally, \$211,202; total, \$1,036,506; nominal surplus, \$80,388. Among the assets not surrendered to the Receiver are \$38,000 of bonds, charged to have been converted to his own use by the late Cashier, Adolf Levinger.

A preliminary report of the People's Savings Bank, made December 20th, has caused much dissatisfaction. There appears to be a deficiency of some \$70,000 to meet the liabilities, which are \$172,638.

In the case of the Third Avenue Savings Bank, it is reported that deficiencies, defalcations, overvaluations of real estate, depreciated securities, unpaid taxes, and incorrect book-keeping confront the Receiver, Mr. Hart, on every side. He thinks that the depositors will not obtain more than twenty-five or thirty cents on a dollar.

As regards the older banks, no distrust exists. The examinations of the Bank Superintendent are very thoroughly made, and show promptly any weak places.

**DUNCAN, SHERMAN & Co.**—In the United States District Court, on December 18th, William Butler Duncan, William Watts Sherman and Francis H. Grain, composing the firm of Duncan, Sherman & Co., were adjudicated involuntary bankrupts, upon the petition of 205 of their creditors.

Upon the presentation of the petition, which is in the usual form, and the admission of Duncan, Sherman & Co. that the statements contained in it were true, Judge Blatchford directed the entry of an order adjudicating the firm bankrupt. By virtue of the warrant in bankruptcy United States Marshal Fiske will take charge of the property of the firm until the creditors meet and choose an assignee.

**ONE HUNDRED PER CENT. DIVIDEND.**—A local tax of three per cent. on surplus capital has been enforced in this State, and has driven some of the banks to distribute this accumulation as a dividend. The directors of the New York County National Bank, which had a surplus of \$325,000, and a fixed capital of \$200,000, have resolved to declare a dividend of one hundred per cent., reducing the surplus to \$125,000. The market value of the stock has been \$162.50 per share of \$100.

**ALABAMA.**—The People's Saving and Loan Association, at Eufaula, has changed its title to "The People's Bank," and continues under the same management as heretofore, with a paid capital of \$100,000. The officers are H. C. Hart, President; John G. Smith, Vice-President; A. A. Walker, Cashier. Its services to correspondents are offered in a card at end of this number.

**CALIFORNIA.**—A committee of the bankers of San Francisco met on December 22d, to draft a plan for a Clearing-House. A majority of the body favor the project, and will doubtless effect the object at once. It is expected that those now demurring will join in the organization when perfected.

**COLORADO.**—A new bank has been organized at Denver, under State charter, called the Exchange Bank, into which is merged the business of Messrs. Collins, Snider & Co., bankers. Its officers are F. J. Ebert, President; S. G. Collins, Cashier.

**DIVIDEND.**—The Comptroller of the Currency has just declared a further dividend of fifteen per cent. in favor of the creditors of the First National Bank of Washington. This makes eighty-five per cent. thus far realized by creditors of the bank.

**ILLINOIS.**—The old and well-known banking-house of W. F. Thornton & Son, at Shelbyville, has admitted into its partnership Mr. J. Thornton Herick. The style of the firm remains unchanged.

**CHICAGO.**—The Commercial Loan Company of Chicago closed its doors on the morning of December 21st, and has gone into liquidation. The directors have taken this step in consequence of the capital of the bank being lost by injudicious loans. The deposits are in the neighborhood of \$400,000, which is hoped may be paid in full. The bank is reported to have on hand, in cash and good short time paper, about \$100,000, and in real estate paper \$220,000.

**INDIANA.**—The corporate name of the Indianapolis Insurance Company has been changed to "The Bank of Commerce," under which title it continues the banking business as heretofore, without interruption. This step was rendered desirable from the fact that the former name did not indicate the character of their business, as transacted under the old charter.

**MASSACHUSETTS.**—Nearly all the savings banks of Boston have wisely reduced to five per cent. the rate of interest promised to depositors. The trustees properly consider it their duty to direct their efforts first to the absolute safety of the funds to be invested, and afterwards to the payment of as large dividends as can be honestly earned.

**Suspension.**—An injunction was issued on December 21st against the Lancaster Savings Bank, at Lancaster, for insolvency. It is embarrassed from bad investments, not dishonesty of officials. There will be little loss to depositors.

**SAFE BANKING.**—Mr. Joseph P. Turner, Jr., recently resigned the cashiership of the National Grand Bank of Marblehead, which position he had held for nearly forty years. It is stated that during that period the bank did not lose a dollar.

**ANOTHER VETERAN GONE.**—Mr. Jacob Stone, Cashier of the First National Bank of Newburyport, died on December 15th. For upwards of forty years he had been connected with the moneyed interests of Newburyport—twenty-five years of that time as Cashier of the Ocean National Bank, and as Cashier of the First National Bank from its organization, fifteen years since, till his death.

**MISSOURI.**—The First National Bank of Kansas City has gone into voluntary liquidation, and is succeeded by "The Bank of Kansas City," organized under a State charter. The officers of the new institution are: Nathan Scarritt, President; John B. Wornall, Vice-President; Bernard Donnelly, Secretary; J. S. Chick, Cashier; A. P. Warfield, Assistant Cashier. New York correspondents, Messrs. Donnell, Lawson & Co.

**Fort Wayne.**—The Merchants' National Bank, of Fort Wayne, gives notice that it is closing up its affairs, and goes into voluntary liquidation.

**LIABILITY OF CASHIERS.**—A decision of importance was rendered on December 2d, by Chancellor Bruce, in the case of The Loretto Literary and Benevolent Institute and others against Harry L. Pope and others, giving judgment against Pope for \$72,170, with interest from June 17, 1870; and against his sureties for \$30,000. This action grew out of the robbery, in 1870, of the old Louisville Mechanics' Bank, of which Pope was cashier. Plaintiffs had a large sum of money deposited at the bank, and sued Pope and his sureties for the amount. The petition was once dismissed, but the Court of Appeals reversed this decision, and Chancellor Bruce has also reversed his first decision, on the ground that the robbery occurred through the negligence of the cashier.

**DISHONEST BOOK-KEEPER.**—M. L. Christie, late book-keeper in the First National Bank of Paterson, N. J., who embezzled about \$7,000 from the institution, has been sentenced to two years' imprisonment in the State Prison.

**AN AUBURN BANKER GONE.**—Mr. James S. Seymour, President of the National Bank of Auburn, N. Y., died in that city on December 3d, in the 85th year of his age. Mr. Seymour was born in Hartford, Conn., in 1791. In 1817 he was chosen cashier of the Bank of Auburn, and ever since that time has been connected with that institution and its successor as cashier or president. He was the oldest bank officer in the State, and was a man of sterling integrity.

**OHIO.**—A new organization, called The National Bank of Commerce, has begun business at Cincinnati, with a capital of \$400,000. Its Directors are: Wm. A. Goodman, John Shillito, George Wilshire, Anthony D. Bullock, Alexander H. Andrews, and C. W. West. President, Wm. A. Goodman; Cashier, Henry B. Bissell. The business of Messrs. Andrews, Bissell & Co., bankers, is transferred to the new institution.

**LIABILITY OF BANK DIRECTORS.**—The individual stockholders of the suspended First National Bank of Tiffin, who, under the banking law, are personally liable, have commenced a suit against the directors for the amount of their liability, on the ground of negligent management. The result of this suit, which is brought in the United States Circuit Court for Ohio, will be of importance to all who are interested in National Banks.

**PENNSYLVANIA.**—The Bank of Brandywine, at Westchester, made an assignment for the benefit of its creditors on December 22d. It is thought the depositors will be paid in full.

**RHODE ISLAND.**—The banking firm of Greene & Cranston, of Providence, suspended payment on December 18th, and made an assignment to James V. Smith. The liabilities are represented to be \$675,000, and the assets, firm and individual, \$800,000. The cause of the suspension is stated to be inability to realize on advances, amounting to \$400,000, made to the Providence Tool Company.

**TEXAS.**—A new bank, called "The State Savings Bank," is about to commence business at Dallas, under a State charter, with a capital of \$100,000, of which \$50,000 will be at once paid. Mr. E. H. Gruber, formerly cashier of the First National Bank of Dallas, is to be President, and Mr. Samuel Leighton, Cashier.

**Marshall.**—Messrs. Raguet & Fry, bankers, tender their services for business in that vicinity. Their New York correspondents are S. M. Swenson and Greenebaum Bros. & Co. Those at other points will be found in their card, at end of this number.

**VERMONT.**—The officers of the National Banks of this State have formed an association for protection against burglary, and the speedy punishment of bank robbers.

## CHANGES OF PRESIDENT AND CASHIER.

(Monthly List; continued from December No., page 483.)

## DECEMBER, 1875.

	<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
ALA...	National Bank of Birmingham...	William Berney, <i>Cas.</i> ...	R. B. Jones.
CAL...	Merch. Exch. Bk., San Francisco	Alvinza Hayward, <i>Pr.</i> ...	C. W. Kellogg.
"	" " " " " " " "	H. F. Hastings, <i>Cas.</i> ...	R. N. Van Brunt.
"	Bank of Lake, Lakeport.....	Alex. F. Tate, <i>Pr.</i> .....	S. K. Welch.
"	Bank of San Diego, San Diego...	Charles Hubbell, <i>Cas.</i> ...	L. G. Nesmith, <i>Asst.</i>
"	Commercial & Sav. B., San Jose.	C. T. Ryland, <i>Pr.</i> .....	B. D. Murphy.
COL...	Bank of Rosita, Rosita.....	H. J. McIntire, <i>Pr.</i> .....	J. R. Boyd.
"	" " " " " " " "	H. T. Blake, <i>Cas.</i> .....	W. A. Stuart.
GA...	Bank of Rome, Rome.....	H. D. Cothran, <i>Cas.</i> ...	C. O. Stillwell.
ILL...	First National Bank, Knoxville...	Francis G. Sanborn, <i>Pr.</i> ...	J. Babington.
IOWA...	First National Bank, Newton....	William Vaughan, <i>Pr.</i> ...	J. Long.*
"	Plymouth County Bank, Lemars.	B. A. Henningsen, <i>Pr.</i> .....	
"	" " " " " " " "	A. C. Jurgensen, <i>Cas.</i> ...	G. B. Von Saun.
KAN...	Cowley Co. Bank, Arkansas City	H. P. Farrar, <i>Cas.</i> .....	R. C. Hayward.
KY...	Grayson Banking Co., Grayson..	James Osenton, <i>Pr.</i> ...	L. Prichard.
LA....	N. O. Sav. Inst., New Orleans...	D. Urquhart, <i>Pr.</i> .....	L. F. Generes.
MD....	Merchants' Nat. Bank, Baltimore.	William L. Gill, <i>Cas.</i> ...	D. A. Jones.
MASS...	First National Bank, Barre.....	Hiram Wadsworth, <i>Pr.</i> ...	J. M. Buttrick.
"	First Nat. Bank, Newburyport...	Thos. P. Stickney, <i>Cas.</i> ...	J. Stone.*
MO....	People's Sav. Bank, Chillicothe..	William B. Leach, <i>Cas.</i> ...	J. A. Cooper.
NEV...	Agency Bk. Cal., Virginia City..	J. P. Martin, <i>Agt.</i> .....	A. J. Ralston.
N. J...	Nat. B. of N. J., New Brunswick.	Charles Wood, <i>Pr.</i> .....	G. W. Garrison.*
N. Y...	Grand Central Bank, N. Y. City	George N. Williams, <i>Pr.</i> ...	C. E. Loew.
"	German-American Bank, " " "	H. Rocholl, <i>Pr.</i> .....	D. Salomon.
"	Nat. Commercial Bank, Albany..	Robert H. Pruyn, <i>Pr.</i> ...	E. P. Prentice.
"	State Bank of Olean.....	H. S. Morris, <i>Cas.</i> .....	M. W. Barse.
"	First National Bank, Aurora.....	Edwin B. Morgan, <i>Pr.</i> ...	H. Wells.
OHIO...	Fourth Nat. Bank, Cincinnati....	M. Morris White, <i>Pr.</i> ...	T. Cook.
PENN...	Bank of Industry, Pittsburgh....	James McLain, <i>Pr.</i> .....	J. Ross.
"	Montgomery Nat. B., Norristown	John Slingluff, <i>Pr.</i> .....	W. H. Slingluff.
"	" " " " " " " "	W. F. Slingluff, <i>Cas.</i> ...	J. Slingluff.
"	German Savings Institution, Erie	John Eliot, <i>Treas.</i> .....	M. Schlaudecker.
"	First National Bank, Greenville..	William Waugh, <i>Pr.</i> ...	S. P. Johnston.
"	" " " " " " " "	C. R. Beatty, <i>Cas.</i> .....	W. Waugh.
"	Dollar Savings Bank, Oil City...	Jos. M. McElroy, <i>Pr.</i> ...	O. F. Schonblom.
"	Mahoning Bank, Punxsutawney.	W. A. Dunlap, <i>Pr.</i> .....	R. C. Winslow.
"	Scranton City Bank, Scranton...	Victor Koch, <i>Pr.</i> .....	C. H. Schadt.
"	Miners' Sav. Bank, Wilkes-Barre	John S. Law, <i>Pr.</i> .....	A. C. Laning.
"	" " " " " " " "	David P. Ayars, <i>Cas.</i> ...	J. A. Rippard.
TEXAS...	First National Bank, Dallas....	C. Cunningham, <i>Cas.</i> ...	W. J. Clark.
"	Paris Exchange Bank, Paris.....	J. E. Roberts, <i>Cas.</i> ...	S. E. Clement.
VA....	Shen. Valley N. B., Winchester...	H. M. Brent, Jr., <i>Cas.</i> ...	H. M. Brent.

\* Deceased.

## DISSOLVED, DISCONTINUED, OR CHANGED.

*(Monthly List, continued from December No., page 484.)* \*

- ALA.... People's Savings & Loan Association, *Eufaula*; changed to People's Bank.  
 " .... Edward B. Young & Son, *Eufaula*; succeeded by Eufaula National Bank.
- COL.... Bank of Denver (Hager, Sons & Co.), *Denver*; in liquidation.  
 " .... Collins, Snider & Co., *Denver*; succeeded by Exchange Bank of Denver.
- ILL.... B. P. Andrews, *Girard*; succeeded by Bank of Girard.  
 " .... Wagner, Bennett & Artz, *Oregon*; succeeded by Wagner & Artz.  
 " .... Pierson, Gregory & Co., *White Hall*; succeeded by North, Wales & Co.  
 " .... Danforth, Snow & Co., *Washington*; succeeded by A. G. Danforth & Co.  
 " .... Rogers & Richardson, *Warren*; succeeded by Rogers, Richardson & Co.  
 " .... Mayfield & Youtsey, *Lincoln*; succeeded by A. Mayfield & Co.  
 " .... Commercial Loan Co., *Chicago*; closed.
- IND.... Indianapolis Insurance Co., *Indianapolis*; changed to Bank of Commerce.  
 " .... Merchants' National Bank, *Fort Wayne*; closing.
- IOWA... Clear Lake Bk., *Clear Lake*; succeeded by Collection B'k of Geo. E. Frost
- KAN.... First National Bank, *Function City*; succeeded by W. B. Clarke.
- LA..... Bank of America, *New Orleans*; suspended.
- MICH... Charles Blain & H. P. Ely, *Ludington*; now Blain & Ely.  
 " ... Wexford Co. Bk., *Clam Lake*; changed to Bkg. House of D. F. Comstock.  
 " ... Merch & Farmers' Bk., *St. Louis*; succeeded by Harrington, Saviers & Co.  
 " ... First National Bank, *Ishpeming*; succeeded by Ishpeming Bank.  
 " ... Citizens' Exchange Bank, *Benton Harbor*; closed.  
 " ... F. D. Conger, *Benton Harbor*; succeeded by Higman, Heath & Co.
- MISS... John B. Howell, *Canton*; succeeded by Charles Handy.
- MO.... H. K. Davis & Co., *Fredericktown*; succeeded by Schulte, Hill & Co.  
 " .... Zook & Montgomery, *Oregon*; succeeded by Montgomery & Norman.  
 " .... Colhoun B. and St. Joseph S. B., *St. Joseph*; succeeded by Colhoun S. B.
- N. Y.... Burke & Hely, *Little Falls*; suspended.  
 " .... Moss, Haight & Dunham, *Brocton*; succeeded by J. S. Moss.  
 " .... Burke's Bank, *Utica*; suspended.  
 " .... Averells & Chapman, *Ogdensburg*; suc. by Averells, Chapman & Bean.  
 " .... T. B. & W. Corning, *Rochester*; succeeded by William Corning.  
 " .... J. E. Dutton & Co., *Bainbridge*; succeeded by G. H. Carver & Co.
- OHIO... Andrews, Bissell & Co., *Cincinnati*; succeeded by Nat. Bank of Commerce.  
 " ... T. J. McLain & Son, *Warren*; succeeded by T. J. McLain.  
 " ... Farmers & Traders' Bank, *Toledo*; succeeded by Farmers' Exchange Bank.  
 " ... First National Bank, *New Lexington*; succeeded by Perry County Bank.
- PENN... Newbold, Son & Aertsen, *Philadelphia*; suc. by W. H. Newbold's Son & Co.  
 " ... Joseph Johnston, *Connellsville*; not in banking business.  
 " ... Bank of Brandywine, *West Chester*; assigned.
- R. I.... Greene & Cranston, *Providence*; suspended.
- TENN... First National Bank, *Gallatin*; succeeded by Bank of Gallatin.
- TEXAS.. Latimer & Chancellor, *Ennis*; succeeded by Mark Latimer.
- UTAH... White & McCornick, *Salt Lake City*; succeeded by McCornick & Co.
- VA..... Bank of Culpeper, *Culpeper*; suspended.
- WIS.... Bank of Bosobel, *Bosobel*; suspended.





<i>State.</i>	<i>Place and Capital.</i>	<i>Bank and President.</i>	<i>N. Y. Correspondent and Cashier.</i>
OHIO ...	Cincinnati.....	Nat. Bank of Commerce... \$200,000 Wm. A. Goodman, <i>Pr.</i>	American Exchange Nat. Bk. H. B. Bissell, <i>Cas.</i>
" ...	Alliance.....	Lamborn & Gray .....	John J. Cisco & Son.
" ...	Beverly .....	Citizens' Bank. ....	First National Bank.
" ...	Columbiana ..	J. Esterly & Co.....	Enoch S. McIntosh, <i>Pr.</i> Charles M. Reynolds, <i>Cas.</i>
TEXAS .	Galveston.....	Galveston Bk. & Trust Co. \$250,000 Henry Rosenberg, <i>Pr.</i>	German-American Bank. Chas. F. Hohorst, <i>Cas.</i>
Wis ...	West Bend....	E. Franckenberg .....	Mechanics' National Bank.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

Authorized November 24 to December 22, 1875.

<i>No.</i>	<i>Name and Place.</i>	<i>President and Cashier.</i>	<i>Capital.</i>	
			<i>Authorized.</i>	<i>Paid.</i>
2309	Eufaula National Bank, Eufaula, ALA.	Edward B. Young..... E. B. Young, Jr.	\$58,000	\$45,400
2310	Stockgrowers' National Bank, Pueblo, COLO.	Charles B. Lamborn..... Jefferson Raynolds.	50,000	35,000
2311	Camden National Bank, Camden, MAINE.	Henry Knight..... J. F. Stetson.	50,000	37,500
2312	First National Bank, Webster, MASS.	Chester C. Corbin..... Edward L. Spalding.	100,000	50,000
2313	First National Bank, Kirkwood, ILL.	Henry Tubbs..... Willard C. Tubbs.	50,000	50,000
2314	Traders' National Bank, Charlotte, N. C.	S. P. Smith..... T. L. Vail.	100,000	100,000
2315	National Bank of Commerce, Cincinnati, OHIO.	William A. Goodman.... H. B. Bissell.	400,000	200,000

## THE PREMIUM ON GOLD AT NEW YORK,

NOVEMBER—DECEMBER, 1875.

<i>1874.</i>	<i>Lowest.</i>	<i>Highest.</i>	<i>1875.</i>	<i>Lowest.</i>	<i>Highest.</i>	<i>1875.</i>	<i>Lowest.</i>	<i>Highest.</i>
Dec. ....	11 1/2	12 3/4	Nov. 24 ..	14 1/2	14 3/4	Dec. 8 ..	13 1/2	14 3/4
1875.			25 ..	Holiday.		9 ..	14 1/2	14 3/4
January..	11 3/4	13 3/4	26 ..	14 3/4	14 1/2	10 ..	14 1/2	14 1/2
February..	13 1/4	15 3/4	27 ..	14 3/4	14 1/2	11 ..	14 3/4	14 1/2
March ...	14 1/2	17	29 ..	14 3/4	14 3/4	13 ..	14 1/2	14 3/4
April ....	14	15 1/2	30 ..	14 3/4	15 3/4	14 ..	14 3/4	14 1/2
May .....	15	16 3/4				15 ..	14 3/4	14 1/2
June.....	16 1/4	17 3/4	Dec. 1 ..	14 1/2	15 1/4	16 ..	14 1/2	14 3/4
July .....	11 3/4	17 1/2	2 ..	14 1/2	15 1/4	17 ..	14 1/2	14 3/4
August ..	12 3/4	14 1/4	3 ..	14 3/4	14 1/2	18 ..	13 3/4	14 1/2
September	13 3/4	17 1/4	4 ..	14 1/4	14 1/4	20 ..	13 3/4	13 3/4
October ..	14 1/2	17 3/4	6 ..	14 1/2	14 1/2	21 ..	13 1/2	13 3/4
November	14 3/4	16 3/4	7 ..	14 1/2	14 3/4	22 ..	13 1/2	13 3/4

## NOTES ON THE MONEY MARKET.

NEW YORK, DECEMBER 21, 1875.

*Exchange on London at sixty days' sight, 4'85½ a 4'89½, in gold.*

The stock market has not exhibited much activity. Government bonds have advanced, but closed with a tendency to lower prices, as the London quotations have not responded fully to the advance in this market. Hence there has been some disposition to import bonds from abroad, and the market here is unsettled in consequence.

Gold closes dull and weaker. Foreign exchange is strong and steady at 4.85½ for 60 days' sight bills.

In railroad bonds the business is moderate and prices are firm. State bonds are quiet, and there is little inquiry. Railroad stocks are dull. In the investment shares of the best roads an active demand is anticipated after the 1st January, when the money market is expected to be easier in consequence of the payment of dividends and the usual accumulation of funds in our city banks. Subjoined are our usual quotations:

QUOTATIONS:	Nov. 24.	Dec. 1.	Dec. 6.	Dec. 13.	Dec. 20.
Gold.....	114½ ..	114½ ..	114½ ..	114½ ..	113½
U. S. 5-20s, 1867 Coup.	122½ ..	122½ ..	122½ ..	122½ ..	122½
U. S. new Fives Coup.	116½ ..	117½ ..	117½ ..	117½ ..	117
West Union Tel. Co.	75½ ..	75½ ..	76½ ..	76½ ..	73½
N. Y. C. & Hudson R.	106½ ..	105½ ..	105½ ..	105½ ..	104½
Lake Shore.....	62 ..	59½ ..	60½ ..	61½ ..	60½
Chicago & Rock Island	105½ ..	105½ ..	104½ ..	104½ ..	103½
New Jersey Central...	105½ ..	104 ..	104½ ..	104½ ..	105½
Erie.....	16 ..	15½ ..	16½ ..	16½ ..	15½
Union Pacific.....	72½ ..	80 ..	78½ ..	77 ..	74½
Bills on London.....	4.83½ a 4.87½ ..	4.83½ a 4.86½ ..	4.84 a 4.87½ ..	4.84½ a 4.88½ ..	4.85½ a 4.89½
Call loans .....	3a 3½ ..	3a 6 ..	4a 5 ..	3a 6 ..	4a 7
Discounts .....	6a 7½ ..	5½ a 8 ..	6a 7 ..	5½ a 7 ..	6a 9
Treasury balances, cur.	\$ 43,827,341 ..	\$ 41,976,214 ..	\$ 40,829,948 ..	\$ 41,207,740 ..	\$ 38,220,699
Do. do. gold	42,093,785 ..	42,381,408 ..	42,820,961 ..	42,745,602 ..	42,009,585

The rates for money have advanced. We quote call loans to-day at 6 to 7 per cent. Last week call loans were advanced to 7 per cent. In some instances the commission was charged besides, while in others gold interest was charged. The great mass of the transactions, however, are reported for the month at 3 to 5 per cent. on Government collateral, and at 4 to 6 per cent. on stock collateral. In commercial paper there is little change. The best names are in demand at 6 to 7 per cent., with little offering.

In explanation of the absence of stringency, it is pointed out that the Western banks are much better supplied with floating capital than has been usual in previous years. The excellent harvests of the past two or three years must, of course, be regarded as in part the cause of this ample supply of money in the West. Another reason which has been assigned is the heavy amount of capital which has been lent on mortgage from the East to the West since the Chicago fire. These large sums so advanced on the mortgage of real estate have been spent in the payment of wages, in the purchase of building material, and in other analogous

ways, so as to impart a lively movement to almost every branch of industrial enterprise. While the other sections of the community have been thriving in this way the farmers have also thriven from the good harvests and the lively demand for breadstuffs. The movements to which we have referred have been aided by the changes in the National Banking system, which tend towards centralization and make the country banks less dependent than formerly on New York.

For these reasons the Western banks are well supplied with funds, and are not obliged to depend so much on Wall Street. The *Chicago Tribune* says: "The packers have begun to put their paper on the market, and if their applications aggregate as much as they usually do, the surplus of the banks will be rapidly reduced. In fact, the needs of the country banks are now so pressing that the surplus is not likely to last long. Money that was loaned the country banks 30 and 60 days ago in the expectation that it would be coming back at this time, to be again lent elsewhere, is replaced by new paper instead of payment. The amount of renewals by country banks is very large, and there is also a lively demand for additional discounts. There is not much call upon the banks from their city customers. Considerable railroad paper has been discounted, including some made by the company recently raided on Wall street, and which was discounted at very favorable rates."

At this period of the year our money market is generally stringent. Many persons have been anticipating some monetary disturbance this season, and have been preparing for it in advance. So far, however, their expectations have not been realized. Still, the drain upon our banks for the West and South has been diminishing their reserve at the rate of one or two millions a week, as will be seen from the following statement of the New York Clearing-House Banks:

1875.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Exchanges.
Nov. 29.....	\$ 271,910,200 ..	\$ 16,268,500 ..	\$ 47,038,900 ..	\$ 18,562,100 ..	\$ 275,808,400 ..	\$ 327,395,239
Dec. 6.....	271,006,500 ..	15,157,500 ..	45,680,200 ..	18,750,600 ..	220,663,300 ..	460,562,564
" 13.....	268,390,400 ..	16,539,400 ..	43,320,900 ..	19,118,300 ..	206,966,900 ..	423,140,848
" 20.....	265,512,500 ..	16,105,800 ..	41,960,500 ..	19,028,600 ..	204,236,000 ..	402,925,608

The Boston Clearing-House statements compare as follows:

1875.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Nov. 29.....	\$ 135,645,600 ...	\$ 718,700 ...	\$ 9,990,800 ...	\$ 81,566,800 ...	\$ 25,227,608
Dec. 6.....	135,736,900 ...	749,500 ...	9,768,800 ...	81,197,300 ...	25,308,200
" 13.....	134,592,600 ...	790,200 ...	9,327,000 ...	79,708,500 ...	24,954,600
" 20.....	133,100,100 ...	834,400 ...	9,193,800 ...	77,520,600 ...	24,997,500

The Philadelphia statements are as follows:

1875.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Nov. 29.....	\$ 59,918,947 ...	\$ 261,543 ...	\$ 12,928,361 ...	\$ 46,287,318 ...	\$ 10,617,613
Dec. 6.....	59,985,647 ...	236,763 ...	12,777,113 ...	46,466,298 ...	10,551,853
" 13.....	59,692,044 ...	274,740 ...	12,442,101 ...	45,274,188 ...	10,573,451
" 20.....	59,108,151 ...	318,339 ...	12,356,317 ...	44,918,084 ...	10,594,200

The following are the nominal quotations representing the price in gold for other coin. Mexican dollars, of both old and new stamp, are quoted at the same rates: Trade dollars, 97 a 98; American silver, large, 95 a 96; American silver quarters, 94  $\frac{1}{2}$  a 95  $\frac{1}{4}$ ; American silver, small, 87 a 92; Mexican dollars, 95  $\frac{1}{4}$  a 96  $\frac{1}{4}$ ; English silver, 480 a 486; five francs, 92 a 95; thalers, 69 a 71; English sovereigns, 485 a 487; twenty francs, 382 a 390; Spanish doubloons nominal, 16.00 a 16.50; Mexican doubloons, 15.50 a 15.65; Mexican 20-peso, 19.50 a 19.65. Fine silver bars, \$1.23 a \$1.23  $\frac{1}{4}$  per ounce; fine gold bars, par to  $\frac{1}{4}$  per cent. premium.

Up to 20th November the money coined in Germany amounted to 1,406,567,212 marks, of which 1,233,434,870 marks were gold, 149,248,225 marks were silver, 17,073,827 marks were nickel, and 6,810,295 were copper.

The United States Circuit Court, Kansas, has been considering several cases testing the validity of bonds voted by counties and cities in aid of railroads. These cases were generally decided in favor of the bondholders or railroad companies, and against the taxpayers. The doctrine of the Court in passing upon the main issue was, that where bonds have been regularly voted for a lawful object they cannot be nullified by informalities in their issuance, delivery or sale; and that, on the other hand, where bonds have not legally been voted on, or have been voted for an illegal object, they are void, even in the hands of innocent purchasers without notice. This decision makes it incumbent on the purchasers of bonds to see to it that their issuance had been regular and according to law.

As to the amount of defaulting railroad bonds held in Europe, various estimates have been heretofore published. A Dutch authority gives the subjoined account of the railroad securities held in Holland:

	<i>Total Issue.</i>	<i>Sold in Netherlands.</i>
1. Dividend-paying shares.....	\$ 123,602,000	\$ 12,000,000
2. Bonds paying interest in part.....	21,450,000	5,200,000
3. Bonds paying interest in full.....	128,778,500	52,075,000
4. Shares with some prospect of dividend.....	67,496,000	9,290,000
5. Speculative shares.....	78,000,000	5,000,000
6. Bonds paying no interest.....	112,480,000	52,265,000
Total.....	\$ 531,806,500	\$ 135,790,000

It thus appears that Holland owns about one-fourth of the total amount of the issues in which it is interested. On \$66,515,000, or nearly one-half of its total holdings of American railroad securities, it at present gets no income whatever.

The tax assessment question, to which we referred last month, is still discussed. It is reported on good authority that the tax assessors of this city have determined to levy the tax on the capital and the net surplus—less 10 per cent.—of each bank as shown by the last statement prior to the first of January. The amount to be levied on the National Banks can now be determined, but that on the State institutions cannot be ascertained until the next quarterly statement, now nearly due.

In behalf of the banks it is urged that if the commissioners decide to tax the surplus, and if the courts sustain them, the effect will be to weaken the best banks in the city by inducing them to divide up their surplus among the stockholders as far as they can legally. The State banks can divide all their surplus, and thus evade such assessment; the National banks by law must accumulate and hold a surplus of 20 per cent. of capital. Of course only the best-managed banks have accumulated a large surplus, the amount of it being the measure of the good management. A surplus is simply a guaranty fund, and a protection, not only of the interests of the depositors, but indirectly of the entire community. The National, State, and municipal taxation on banks now amounts to nearly 6 per cent. of their capital. On the other hand, it is urged in favor of taxing surplus that the banks instead of dividing it up will convert it into capital, and that if they do not, and the banking capital remaining is found to be inadequate, the banks will lose their prestige with their customers and the public.

The National Trust Company will pay a dividend of 4 per cent. 3d Jan.; the N. Y. & Harlem R. R. 4 per cent. 3d Jan.; the N. Y. C. & Hudson 2 per cent., quarterly, 15th Jan.; the Union Pacific 2 per cent., quarterly, 1st Jan.; the Western Union Telegraph Company 2 per cent, quarterly, 15th Jan.; Illinois Central 4 per cent. 15th Jan.; Wells, Fargo & Co. 4 per cent. 15th Jan.

The United States Supreme Court has given a decision in the long pending suit of the Government *v.* The Union Pacific Railroad. The decision is against the Treasury and in favor of the Railroad Company. The questions do not seem to be fully settled, however. A Washington despatch announcing Senator Wright's bill says: "The bill introduced by Senator Wright to declare the inten-

tion of the laws of 1862 and 1864, the one creating the Union Pacific Railroad and the other amending its charter, is the first step toward doing justice to the Government as between it and the Company in the matter of the deferred interest, upon the bonds issued in aid of the Company. With a legal definition of the laws of 1862 and 1864, in the shape of an amendment to them, a new case can be made up against the Company and again taken to the Court of Claims, and thence, if necessary, to the Supreme Court, with the result of reversing the opinion recently rendered that the Company was not bound to pay this interest until the expiration of thirty years. With the passage of this amendment the Court would be bound to consider it a part of the law bearing upon the Company, and as the debates in Congress leave no doubt what the amendment would be, the Company would be compelled to discharge its honest obligation to reimburse the Government semi-annually to the extent of the interest paid upon the bonds, which, by the way, are known in Wall street and among investors as currency sixes."

The German railways were reported 31st October, 1875, at 23,412 kilometers, or 1,899 kilometers more than a year ago. The total receipts amounted to 662,229,480 marks, showing an increase of 40,099,271 marks over the year 1874.

Several important resumption bills have been already introduced into Congress and referred to the appropriate committees. The most noteworthy are those of Mr. Chittenden and Mr. Farwell. The bill offered in the House by Mr. Chittenden, of New York, to fund the legal-tender notes of the United States and prepare the way for the resumption of specie payments as soon as may be practicable, provides that the Secretary of the Treasury be authorized and directed to sell for legal-tender notes, to be immediately canceled and destroyed, on the first Tuesday of each and every month, in the city of New York, to the highest bidder, by such methods as are now employed in the sale of Government gold coin, the bonds of the United States for three millions of dollars, coupon or registered, as may be most for the advantage of the Treasury for the time being, bearing interest, payable in gold coin semi-annually, at the rate of  $4\frac{1}{2}$  per cent. per annum, the principal of such bonds to be payable in thirty years from the 1st of January, 1876, in gold coin; the act to take effect immediately, or as soon as the bonds hereby authorized can be prepared.

The resumption bill introduced by Mr. Farwell, of Illinois, provides as follows:

1. That the Secretary of the Treasury shall retire and cancel, on the first day of each and every month, beginning on the 1st of July, 1876, one million dollars of United States notes; but when the United States notes shall be par with the gold coin of the United States, he may cease such retirement and cancellation.
2. That to enable the Secretary of the Treasury to carry out the provisions of this act, he is hereby authorized to use the surplus revenue of the Treasury; but if such revenues should at any time be insufficient for this purpose, he is hereby further directed to sell bonds of the Government to a sufficient amount to carry into effect the provisions of this act.

The immigration for the year ending June 30, 1875, is reported by the Bureau of Statistics at 227,498. From the culminating point in 1873 the influx of foreigners fell off to the extent of 146,464 in 1874, and 85,841 for 1875, making a decline of 232,305 since the first year named. One principal reason for this is the general prostration of business in this country during the past two years, and the consequent diminution in the demand for labor. Other nationalities have fallen away about one-half in the lists since 1873, but the number of new comers from Germany is less than one-third as large this year as it was two years ago. We have recently called attention to the remarkable efforts made by Government agents in some European countries to discourage, by legislation and in every way, the departure of their citizens to the United States. To these efforts, in part, the decline of immigration is no doubt due.

The latest despatches from Paris inform us that the Finance Minister, M. Leon Say, has announced to the Budget Committee that there would be an almost exact equilibrium this year. The 65,000,000*f.* deficit was to have been met by 24,000,000*f.* fresh taxes and a loan of 40,000,000*f.* from the bank. Supplementary credits, afterwards amounted to 63 millions, but on the other hand, 30,000,000*f.* were struck off, and the receipts, even without supposing an increase in November and December, will be 100,000,000*f.* over the estimates. There will be no need to borrow the 40,000,000*f.* from the bank, for the receipts and expenditure will both be about 2,656,000,000*f.*

The Foreign Imports at New York for eleven months, from January 1st, compare as follows:

	1873.	1874.	1875.
Entered for consumption.....	\$162,254,405	\$162,126,165	\$138,275,125
Entered for warehousing.....	117,378,937	100,247,004	85,342,054
Free goods.....	80,112,343	100,817,010	82,975,469
Specie and bullion.....	17,137,821	5,759,689	12,802,601
Total entered at port.....	\$376,883,476	\$358,949,868	\$319,395,249

The foregoing report of Imports at this port for eleven months is the smallest for a number of years, as will be seen from the fact that for the corresponding period in 1871 the Imports were \$359,404,132, and in 1872 \$405,008,181.

The coin receipts for customs at New York, from January 1, compare as follows:

	1873.	1874.	1875.
First quarter.....	\$35,758,538 97	\$31,022,241 94	\$30,207,512 85
Second quarter.....	26,222,977 68	25,865,611 33	23,733,721 49
Third quarter.....	33,991,737 39	32,857,435 80	30,854,881 40
In October.....	7,656,384 95	8,678,567 56	8,208,316 27
In November.....	5,588,338 86	6,364,435 53	7,034,576 39
Total eleven months .....	\$109,217,977 85	\$104,788,292 16	\$100,039,008 40

The foregoing figures refer only to the port of New York, and represent gold values. The Imports are stated at their foreign cost in gold, freight and duty unpaid.

The Exports from New York to Foreign Ports for eleven months, from January 1st, are as follows:

	1873.	1874.	1875.
Domestic produce.....	\$264,499,136	\$251,766,476	\$224,451,482
Foreign free goods .....	2,013,212	1,979,171	1,821,116
Foreign goods dutiable.....	8,482,307	6,689,700	5,965,768
Specie and bullion.....	46,212,390	48,724,587	65,793,440
Total exports.....	\$321,207,045	\$309,109,934	\$298,031,806
Total exports exclusive of specie.....	274,994,655	260,435,347	232,238,366

## DEATHS.

At SALEM, N. J., on Saturday, November 27th, aged seventy-one years, GEORGE W. GARRISON, President of the Salem National Banking Company.

At AUBURN, N. Y., on Friday, December 3d, aged eighty-four years, JAMES S. SEYMOUR, President of the National Bank of Auburn, and Cashier, since the year 1817, of its predecessor, the Bank of Auburn.

At NEWBURYPORT, MASS., on Wednesday, December 15th, aged seventy years, JACOB STONE, Cashier of the First National Bank of Newburyport.

THE  
BANKER'S MAGAZINE,  
AND  
Statistical Register.

---

VOLUME X, }  
THIRD SERIES. }

FEBRUARY, 1876.

No. 8.

---

CONGRESS AND RESUMPTION.

The new year has begun auspiciously in many departments of business, and the general movements of finance and trade, especially in the West, are so full of promise, that the highest considerations of expediency and statesmanship combine to urge on the members of our State and National Legislatures the duty of aiding, if it be possible, this gratifying reaction from the depression bequeathed to us by the panic of 1873. At least the policy adopted by those bodies should not be obstructive, and where from the nature of the case they cannot do much to help the great economic movement which is tending towards recuperation, they should take special care not to hinder or oppose it.

In no other country does the National Legislature possess the vast powers over the monetary circulation which circumstances have temporarily given to Congress in the United States. We are reminded of these powers, and of the mischievous uncertainty they create in business, by a proposition lately offered in the House of Representatives by Mr. Holman of Indiana. On the 17th of January that gentleman moved to suspend the rules, and to adopt a resolution for a repeal of the Resumption law, declaring that no specific and arbitrary period should at this time be prescribed by law at which the legal-tender notes must be paid in coin by the Treasury, and instructing the Committee on Banking and Currency to report a bill in accordance with this resolution. The scheme of Mr. Holman was frustrated by a vote of 158 to 112. This decisive result has given profound satisfaction to the friends of a sound currency throughout the nation. There is at least one compensatory advantage from this first decisive movement of the inflationists in the present Congress. It is well for us to know who are the men, and how great is their number, who wish



to disturb the settlement of the Resumption question as adjusted a year ago. Till this vote was taken, the real sentiments of the House were open to doubt, and various estimates were current as to the strength which the inflationists could command on a decisive occasion. In the Senate there was not the same uncertainty. It has long been well known that the inflationists are in a minority there; it is now generally conceded that they are in a minority in the House. As both branches of the Federal Legislature have thus voted against inflation by large majorities, there is good ground for the satisfaction, which has been so general among our conservative merchants and financial men, at the result of Mr. Holman's motion. Among the conclusions which may legitimately be deduced from this aspect of the situation, two or three are worthy of special attention.

It is becoming very evident that Congress will not attempt to check the progress of the country toward specie payments. During the present session our merchants, bankers, manufacturers and capitalists may rest secure in the belief that the country will not be harassed and paralyzed by uncertainty as to the fundamental principles of our currency policy. Never since the war have we begun a session of Congress with so many guarantees that Congress would not lay rash hands on the sacred ark of the currency.

Secondly, we seem warranted in the inference that there will be very little currency legislation of any kind at present, and that if any new monetary laws are passed, they will be of a very conservative and cautious character. In intelligent acquaintance with the currency question, our citizens generally are making rapid progress; so that it is often said that the average intelligence of the nation on the subject is far ahead of the knowledge displayed by many of their representatives at Washington. However this may be, the nation appears to have made up its mind to have a sound currency, and to accomplish the purpose by slow, wholesome degrees. In this present spirit, which seems to pervade every part of the country, we see conclusive arguments against believing that there will be much change in regard to the currency during this session of Congress. Another reason for this belief of our citizens, that the resumption question will not be tampered with, is often found in the conflicting character of the currency schemes which are continually proposed. These plans are so opposite in their character that they tend to destroy one another. There is some force in this reasoning. But the chief safeguard against reckless inflation of the currency depends, as we have said, upon the conservative temper of the nation. The judicious force of public opinion, under a free Government like ours, cannot fail to control Congress, and to mould legislation. What the advocates of a sound currency have to do, therefore, is to bend their whole force to the building up of an enlightened public opinion on this subject. The progress of the age and the spirit of our institutions alike prescribe the true method of promoting financial stability and monetary reform.

A third point which is suggested by Mr. Holman's defeat is, that, other things being equal, we ought to expect fewer mercantile failures this year. It is affirmed on good authority that since the panic a large proportion of the failures in this country have been chiefly due to the perturbations of values by the constant tinkering of the currency at Washington. If this malignant cause of disaster can really be kept in check throughout the present year, a wholesome diminution of preventable insolvency ought to be looked for. If our statesmen at Washington had only been aware of the perilous nature of the powers intrusted to them over the currency, and of the ruin which a mistake in legislation was capable of sowing broadcast throughout the country, many mistakes in our past currency policy would have received an early and wholesome check. History is full of warning against bad financial legislation. On page 608 of this number we print the remarks of John Stuart Mill against the paper money legislation proposed by Mr. Attwood, who was one of the most powerful inflationists of his day in the British Parliament. As our paper-money advocates in Congress have borrowed the policy and imitated the arguments of Mr. Attwood, they may be warned against the unhappy catastrophe which overtook the celebrated banking house of which he was the head. As is well known, it failed in 1865, and its liquidation is even now going on.

---

### ARE THE RISKS OF BUSINESS INCREASING?

To the losses which in this country have been inflicted on trade by bad currency legislation, we may add those risks and disasters which are of a more widely diffused character. There is evidence that the risks of business in all commercial countries are not only growing heavier from local causes, but that these risks have received from great general causes an increased force during several years past. Whether this new movement is still accelerating its pace is a question well worthy of a most thorough and patient investigation. A traveler through Russia, Germany, Norway and Sweden, France and England, would see that in all those countries, except, perhaps, in France, there prevail in the mercantile circles precisely the same complaints that are so rife in this country. The losses and the risks incident to mercantile and industrial enterprises are on all sides reported to have reached a point heretofore unknown. Of course, some exaggeration in the estimates of present misfortunes may reasonably be expected. But, making due allowance for these, abundant evidence remains to sustain the conclusion that some wide-spread general influences are at work to disturb the industrial mechanism, and to shake the financial equilibrium all over the world. Among these causes, two or three may be cited with a view to stimulate inquiry.

In the first place, we must look back to the gold discoveries of 1848. Never in the history of modern commerce has any event occurred of greater importance. The civilization of the nineteenth century seemed at that time to be exposed to imminent peril. Throughout Europe political discontent and social suffering were ripening into revolution. The gold discoveries of Australia and California were just in time to relieve distress, and assuage political tumult. The influx of the precious metals gave a new lease of life to the weaker monarchies of Europe. It enriched the people, and fed the hungry; it gave the operative classes work, and satisfied the poor. It overwhelmed and scattered the threatening storms by the sunshine of material prosperity. English statesmen amuse themselves by attributing this happy change—some to their wise fiscal arrangements, others to the Bank Act of 1844, and others again to a multitude of subordinate causes, each of which happened at a critical time, but had really little influence in effecting the economic revolution which gave life and activity to the paralyzed industries of Christendom. Throughout the Old World and the New the commerce, the industry and the productive power of every nation partook, according to its inherent vitality, of the impulse of this plenteous stream of gold which poured into the channels of finance and international trade.

Secondly, let us look at the marvelous results which have been developed during the last quarter of a century by the forces thus let loose in the arena of economic growth. The commerce of Europe has increased fivefold. Its wealth, though depleted by the most costly wars, has augmented enormously. Its area has been covered by a network of railroads and telegraphs, its banking and financial institutions have been multiplied to afford facilities for its merchants, manufacturers and men of capital; and its whole industrial organism has advanced, "not by steps, but by leaps and bounds."

Thirdly, we will mention but one other fact as suitable to direct the inquiry on the subject before us. The process of excessive production has thus been going on throughout every nation in Europe, and it has been equally rapid in this country. Over-production has culminated in over-competition. To this, and its twin brother, over-speculation, a large proportion of the new risks of business are undoubtedly due. In the present state of the evidence on this question, it is quite useless to attempt to forecast the immediate future in respect to it. The facts, however, are very suggestive. They should inspire mercantile men with caution, and with the laudable resolve to do a safe business rather than a large one, to economize their expenses and to control their risks and ventures by the rigid limits of their assured means.

---

## SHOULD THE SURPLUS OF BANKS BE TAXED ?

To an unprejudiced observer the present time seems singularly inappropriate for any proposition to add to the burdens of Bank taxation. For many years past there has not been a period in the history of our Banks when they have found it more difficult to earn a living profit by conservative safe banking. If a part of the meager profits now possible in the banking business is to be swept away into the coffers of the State, an impulse will be given to bad banking which a wise statemanship should never allow. Moreover, the present moment offers to our State Legislature reasons of vast importance for sustaining the Banks, instead of injuring or weakening them. It is, therefore, remarkable, and much to be regretted, that at so critical a conjuncture, the project should have been started for putting an unwonted and heavy burden upon our banking system. As will be seen from the report of the Committee, on page 640, the proposition is to compel the Banks of this State, contrary to all former usage, to pay a tax upon their surplus, at a rate equal to the State tax upon their capital. The State tax heretofore has been assessed and paid by the Banks upon their capital only. To this old tax the Banks offer no objection. What they object to is a pernicious innovation. They complain that for this year, which is the least profitable year the Banks have had for a long time, and which is perhaps the first of a long series of unprofitable years, the tax authority has determined to put in force against them a new interpretation of the law. They complain that they will be assessed, and will have to pay for the first time, a tax upon their surplus. As it is certain that this new impost is condemned by the most obvious principles of fiscal legislation, efforts are to be made this winter at Albany, and at Washington, to protect our banking system from this new and pernicious exaction. The controversy should not be allowed to pass away without an investigation being made as to the methods in use for the taxation of Banks in Europe. The approaching Centennial will probably attract to this country bankers and financial men from all parts of the world. It would be well for those of our citizens who are brought into contact with these foreign visitors, to obtain from them authentic information as to the taxes imposed on banking abroad, especial attention being given to the amount of these imposts, and to the methods of assessing them.

One of the notable objections to the new tax is, that it is contrary to the established policy of this country in regard to banking. It discourages the accumulation of a surplus, and it indirectly gives a premium to the Banks which destroy or diminish

their surplus, as some Banks have done, by dividing it among their stockholders. Up to this time the whole tendency of American law and usage has been to encourage Banks to acquire a surplus, and to hold it as a guarantee of their solvency to the public. To illustrate this point, we have obtained from Mr. Camp, the Manager of the New York Clearing-House, the subjoined statement of the rapid growth of the surplus fund of the Banks of that institution.

GROWTH OF THE SURPLUS OF THE CLEARING-HOUSE BANKS OF NEW YORK,  
1858-1875.

	<i>Capital.</i>		<i>Surplus.</i>		<i>Deposits.</i>
1858 .....	\$67,041,200	....	\$7,531,600	....	\$103,082,600
1859 .....	68,645,000	....	7,555,500	....	96,458,400
1860 .....	69,758,800	....	8,055,200	....	106,382,800
1861 .....	69,650,600	....	8,328,800	....	102,165,100
1862 .....	69,125,700	....	8,647,600	....	154,043,900
1863 .....	69,401,800	....	11,714,200	....	207,839,800
1864 .....	69,683,500	....	15,704,000	....	231,468,700
1865 .....	83,357,300	....	21,440,000	....	285,757,700
1866 .....	84,322,200	....	23,144,800	....	303,540,200
1867 .....	84,772,200	....	27,467,000	....	207,077,200
1868 .....	84,260,100	....	29,224,700	....	238,108,000
1869 .....	84,923,300	....	32,504,500	....	108,241,400
1870 .....	85,162,000	....	32,837,100	....	246,899,500
1871 .....	88,678,800	....	34,854,900	....	270,001,700
1872 .....	87,315,700	....	36,361,300	....	261,625,500
1873 .....	88,051,800	....	38,867,100	....	250,030,000
1874 .....	85,285,200	....	40,787,000	....	265,841,200
1875 .....	84,085,200	....	39,851,800	....	254,134,900

These statistics show that the surplus of the New York Banks has increased much more rapidly than their capital and deposits. The advantages of fostering rather than repressing such a growth it is impossible to overestimate. Moreover, it is a peculiarity which distinguishes the National Banking system from all other systems in this country or abroad, that it enforces on all National Banks an accumulation of a surplus of 20 per cent. upon the capital. In accordance with this regulation the surplus of the whole of the 2,087 Banks throughout the country is at present \$134,356,076 against \$128,958,107 in 1874, \$120,314,499 in 1873, \$110,257,516 in 1872, and \$101,112,672 in 1871. Thus the surplus of the National Banks is accumulating at the rate of six or eight millions a year, and its growth and magnitude are among the most conspicuous safeguards of the banking system in this country. As these safeguards are subjected to a new and pernicious attack by the late action of our Tax Commissioners, and as these officers declare that while the law stands in its present state they have no alternative but to enforce the offensive tax, the proper legislation will, it is hoped, be carried into effect without delay. We commend the report of the Committee of the Bank officers to the attention of our readers, and we hope they will give it as wide a circulation as possible.

## THE NEW FUNDING LOAN.

The latest despatches from Europe offer new and satisfactory evidence in confirmation of the opinion that an effort ought to be made to negotiate in England, without delay, the four per cent. funding bonds authorized in the Funding Act of 1870. When that law was passed, Mr. Boutwell, the Secretary of the Treasury, expected to sell the four per cents at par to an extent sufficient to exchange for them all the six per cent. bonds then outstanding. If that expectation could have been fulfilled, if the fours had been sold, and the sixes redeemed four or five years ago, the country would now be burdened with a much smaller sum of annual interest on the public debt. In fact, we should have saved in this way some thirty millions a year. How the project of Mr. Boutwell was defeated our readers well remember. Before the preliminary arrangements could be completed, the war broke out between France and Germany. The European money markets were thrown into confusion; and from that time until now there has not been a period when the market was fairly open for the reception of a Four Per Cent. U. S. Loan at par in gold. The subjoined table shows how the aggregate amount of the annual investments in Europe has fluctuated before and since the passage of our Funding Law in 1870, and how small, comparatively, was the total of last year.

## ANNUAL INVESTMENTS IN EUROPE, 1866—1875.

	<i>In England.</i>		<i>Elsewhere.</i>		<i>Total.</i>
1875.....	£41,100,000	....	£19,750,000	....	£60,850,000
1874.....	66,500,000	....	44,050,000	....	110,550,000
1873.....	*58,250,000	....	42,800,000	....	101,150,000
1873.....	† ———	....	33,600,000	....	33,600,000
1872.....	*56,750,000	....	56,350,000	....	113,100,000
1872.....	† ———	....	107,000,000	....	107,000,000
1871.....	*37,900,000	....	56,100,000	....	94,000,000
1871.....	† ———	....	65,000,000	....	65,000,000
1870.....	34,400,000	....	45,600,000	....	80,000,000
1869.....	21,600,000	....	37,900,000	....	59,500,000
1868.....	20,500,000	....	28,950,000	....	49,450,000
1867.....	20,600,000	....	10,250,000	....	30,850,000
1866.....	41,250,000	....	18,450,000	....	59,700,000

\* Miscellaneous payments. † French loan payments.

The chief point of importance to which we desire to call attention is the great falling off last year in the activity of the new investments. The causes of this decadence must not be mistaken. They have no connection whatever with any diminution of the supply of capital. On the contrary, the amount of idle funds seeking investment in London is reported to be very much in excess of the demand. In proof of this plethora of capital in the great centers of European finance, we may refer to the evidence

of every one who has monetary relations with Europe. The *Economist* of 8th January refers to it in very positive terms. It says: "The savings of the country are increasing rapidly,—not perhaps so rapidly as in times of very brisk trade and great production, but still very rapidly. And the means of employment for this new accumulation are, in comparison, stationary. Our foreign trade is not increasing; our investments in foreign loans have almost come to an end; new companies and undertakings, whether home or foreign, of which at one time we had so many, are now, in comparison, very rare. In consequence, the plentifulness of money in Lombard Street is greater than almost ever known, and no one knows well what to do with it. Nor is this likely to change soon. Our foreign trade, though experience shows it will increase again gradually before long, will take much time to do so. The countries that usually buy of us are, in some cases, suffering from premature or ill-advised enterprises of their own, and cannot buy so much as usual. The diminution of our foreign loans in some degree aggravates this, because we have been lending several States the means of buying, more or less, from us, especially for railways and other productive works,—and we are not again soon likely to do so to the same extent. No doubt the present panic, for it almost comes to that, in the foreign loan market, will ultimately be excellent for States of real means and real honesty; they will be able to borrow on better terms, because they are no longer subjected to the competition of others less trustworthy; even now, there is a great opportunity for a cheap loan for a first-rate State if any chanced to be in want of it." In like manner we might cite the evidence of other authorities, if it were necessary. But the fact is fully established that so far as the abundant supply of idle capital is concerned, the English money market is admirably prepared to receive a foreign loan. Whether we have the ability to avail ourselves of the favorable opportunity remains to be seen.

Finally, we must remember that this proposed loan is not a new loan, in the strict sense of the term. Properly speaking, it is simply an exchange of securities. Its negotiation consists in the two processes of redeeming the old sixes, and replacing them with the new fives. So far as the sixes, which it is proposed to redeem, were all held in Europe, the transaction would involve the transfer of no capital from the Transatlantic money markets to our own. But only a part of them are so held. About 71 millions of these old sixes are in the National Banks; and perhaps twice as many more are in the hands of private investors, trust companies, and savings banks.

All these bonds are now redeemable under the 5 years' option. Their amount is 734 millions, of which at least 500 millions are believed to be held in Europe. If this estimate is correct, the new funding loan would require the transfer of no capital from Europe to this country except for the amount by which the loan exceeded 500 millions. It is, perhaps, desirable that the aggregate should be fixed at 700 millions of dollars for the first negotiation.

Should this loan be successful, of which there is not the slightest doubt, the way would be clear for another loan for a different purpose. We refer to the project of strengthening the Treasury balance, with a view to specie resumption. This scheme has been several times referred to in the *BANKER'S MAGAZINE*. It is one of several methods that have been suggested, with a view to place in the Treasury the funds needful for its part of the work of preparing specie for payments. It is certain that a much larger balance of cash must be accumulated than there seems any prospect of obtaining otherwise than by a loan. The times are unfavorable for increased taxation. The present taxes yield barely enough to pay the expenses of the Government. No surplus exists available for the purpose suggested. But as such a surplus is indispensable, and as it can undoubtedly be obtained by the expedient proposed in case of need, this project may hereafter be entertained. If so, we shall negotiate a foreign loan to pay off our greenbacks, as we are now contemplating a foreign loan with which to pay off our six per cent. bonds.

---

### IS GOLD APPRECIATING?

A somewhat novel problem is being discussed in regard to gold. The London *Economist* declares that gold is appreciating, or rising in value, while other authorities hold that, if there be any change, it is of a quite opposite character, and that gold is tending downward instead of upward in its relative value. The *Economist* seldom advances an opinion without being able to give good reasons for it. Although we think our contemporary is wrong in this instance, and has formed his induction on too narrow a basis of facts, still the arguments by which it is attempted to prove the advance or appreciation of gold are well worth considering. Before proceeding in their examination, we may remind the reader that the advance, or appreciation, in gold, of which we speak, has nothing whatever to do with the rise and fall of the gold premium in Wall street. The quotations of the Gold Room, as they rise and fall day by day, indicate movements in the value, not of gold, but of greenbacks when exchanged for gold. Instead, therefore, of reporting a rise of gold in Wall street, it would be more correct, in a scientific point of view, to say that greenbacks had fallen, and *vice versa*. The appreciation in gold of which we speak is a phenomenon of a very different character. If it ever should take place, the fact will, simultaneously and with almost equal clearness, be observed all over the world. In Australia as well as in California, throughout Europe as well as on this continent, the rise in gold would attest its presence by unmistakable signs, and would be as open to proof as would any cosmic change by which the sun in the heavens should shrink to half its present size.



It is well known to many of our readers that the *Economist* has for years published an annual table of prices in continuation of the great work of Tooke & Newmarch. In this valuable compilation our contemporary has held, contrary to the general opinion, that gold since 1848 has not depreciated. As our contemporary now declares that gold is appreciating, it would seem that he is prepared to prove that gold is relatively higher now than in 1840. In a few weeks the report for 1875 will be published, and we shall then find out whether this view is sustained or not. It will be interesting on various accounts to examine the reasons for and against the opinion under discussion. In this country the main importance of this subject lies in its power to throw light upon some of the difficulties and dangers which lie in the path leading to specie payments. If gold is appreciating, as the *Economist* says it is, then the ascent of our currency system to the goal of resumption will be steeper and more difficult. But if gold, as we believe, is rather falling than rising in its general value throughout the commercial world, then the path of advance to specie payments will be more level and more easy.

Two reasons are assigned by those who contend that gold is rising or appreciating in value. They point us to the general fall of the prices in all commercial countries and in all markets for exchangeable commodities. We concede at once that prices in many departments of trade and commerce show a notable tendency to decline. If there were no other obvious cause capable of producing this fatal descent in values, it would be quite logical to ask us to accept the cause assigned as the effective agent in forcing prices down. But if there are other causes more obvious in their nature, and perfectly visible to every eye, which are competent to put prices down, and have been often conspicuous in their work of depressing quotations at critical times like the present, then it is no longer logical to ask us to accept a doubtful, hypothetical cause, and to reject the more plain and simple interpretation of the facts. Now, nothing is better known than that every period of speculation, such as has prevailed for several years past in the chief commercial countries of Christendom, tends to produce a reaction, a depression of activity, and a decline of values. Moreover, as the speculation of the past ten years has been more vehement than any like movement of former years, so it is natural to expect that the recoil will be more violent, and the reaction more severe. Let these two principles be applied to the facts in the present case, and we think that they will abundantly explain and account for the present and prospective changes of values. At any rate, until this process is completed, and certain facts are brought clearly into view which cannot be accounted for on the two principles we have cited, it is in vain to pretend to account for these facts by a hypothetical appreciation of gold, which itself has not been demonstrated, and probably cannot be.

But this is only one of the reasons assigned by the *Economist* as proof of the alleged appreciation of gold. Another argument

is founded on the increased use of gold for coinage, and the supposed falling off in the supply from the mines. As to the former of these points, it is too early to express any positive opinion. No facts exist on which we can rest any estimate worthy to rise above the sphere of conjecture in reference to the amount of gold coin which will be permanently kept in use in Europe for the next ten years. France has been made familiar with a paper currency which, when redeemable, as it soon will be, in gold coin, bids fair to retain a permanent place in the channels of the monetary circulation. The gold in the Bank of France on the 30th December last amounted to 1,675 millions of francs. When specie payments are resumed, no more than one-half of this reserve of coin will be needful, and the rest, amounting to \$167,000,000, would be set afloat in the gold markets of the world. Turning next to Germany, we find a state of things very different from what has been supposed. In Prussia and other parts of the Empire where the most activity prevails, the people have been habituated to the use of notes instead of coin. Why should they not continue to prefer notes hereafter? We shall be surprised if the redeemable notes of the banks and the *reichskassenscheiner*, or imperial greenbacks, do not begin, within a year or two, to play a more important part than has been expected in the solution of the monetary problems of the German Empire. If this anticipation should prove true, we may dismiss the other argument of the *Economist*, which assumes that the supply of gold is on the decline. Still, even here we are not sure but that Providence intends to increase rather than to diminish the annual yield of the gold mines of the world. In Australia there may, perhaps, be a diminution of the annual production, as well as in some other countries. But, on the other hand, in Russia we find a notable increase. The same is also true in the United States, as we are reminded by the annual report of the production of gold and silver for 1875. This report has been prepared by Mr. Valentine, of Wells, Fargo & Co., of San Francisco. It shows that our gold mines last year produced 26 millions of bullion, while the silver mines produced 54 millions. The whole product of gold and silver is reported at 80 millions, against 74 millions last year, and 72 millions in 1873. The details are as follows:

## YIELD OF GOLD AND SILVER MINES, 1874 AND 1875.

States and Territories.	Gold bullion and bullion, &c., by express.	Gold bullion &c., by other conveyances.	Silver bullion by express.	Ores and base bullion by freight.	1875. Total.	1874. Total.
California.....	\$14,842,010	1,484,201	\$387,768	\$1,039,172	\$17,753,151	\$20,300,531
Nevada.....	196,858	19,685	35,283,193	4,978,633	10,478,369	35,452,233
Oregon.....	759,133	405,913	.....	.....	1,165,046	609,070
Washington.....	74,517	7,415	.....	.....	81,932	155,535
Idaho.....	1,163,698	116,369	230,835	44,000	1,554,902	1,880,004
Montana.....	2,235,609	500,000	88,000	750,000	3,573,609	3,439,498
Utah.....	43,686	4,368	764,041	4,875,399	5,687,494	5,911,278
Arizona.....	23,500	.....	.....	85,593	109,093	26,066
Colorado.....	2,627,444	.....	2,610,266	1,062,107	6,299,817	4,121,405
Mexico.....	68,117	.....	1,716,184	614,370	2,408,671	708,878
British Col....	1,615,412	161,541	.....	.....	1,776,953	1,636,557
Total.....	\$23,649,984	\$2,699,492	\$41,080,287	\$13,459,274	\$80,829,037	\$74,407,055

In confirmation of our views as to the production of the precious metals in this country in the future, we might quote, if it were needful, the testimony of the best authorities on the Pacific Coast. Thus the *Alta California*, in its mining review for the year past, says that the year 1875, which opened so promising for a successful and prosperous season, may be said to have carried out its promises, particularly in respect to the rich developments of the Comstock lode. It is sufficient to say that at no time has this mine exhibited so flattering a future, and if no unlooked-for disaster visits her in 1876, her immense yield during that period will win for her the proud title of the "Silver Granary of the World." The other mining districts, with but few exceptions, show little improvement. The total yield of Nevada, California and Idaho and Utah aggregates over \$65,000,000, and the taxes levied by the mines which called for assistance amount to \$11,944,000. But if many called for help, a few of their neighbors were in such positions as to reward their stockholders, and the aggregate amount of dividends disbursed foot up \$13,376,100, exceeding the assessments by nearly \$2,000,000. The following will show the comparisons: Production, \$65,473,912; dividends, \$13,376,100; assessments, \$11,944,000.

When the tables of the *Economist* are published we shall probably find it useful to resume this subject. Meanwhile we may rest assured that a much larger amount of evidence than is apparent as yet will be required, to shake the demonstrated truth that gold since 1848 has slowly and gradually tended to depreciate, and that the causes which have produced this slow movement have by no means spent all their force. So far as the facts on this subject can be relied on they are reassuring. They show us that no apprehension need to prevail that any appreciation of gold is likely to embarrass us in our endeavors to restore in this country the specie standard of values.

---

### SHOULD BANK DEPOSITS BEAR INTEREST?

Several new movements from which we may deduce lessons of practical value have been agitating the banking community in London since the heavy losses by the Aberdare failures last year. Among the changes which are proposed, one of the most important is the lowering of the rate of interest on deposits. For more than a quarter of a century the joint-stock banks of London have been paying heavy rates of interest to their depositors, and the burdens thus imposed upon the banks have now become so embarrassing that an effort to diminish them is absolutely needful to the continued prosperity and success of the banking business in the British metropolis. The progress of this reform will be watched with the more interest in this country as the policy of allowing interest on deposits has for many years been vehemently

discussed by the Clearing-House Banks of New York. The last occasion on which the public attention was conspicuously claimed by this dispute was during the panic of 1873. The Clearing-House at that time appointed a committee to report upon the reforms in banking which were required to prevent similar panics in the future. The report was elaborate and complete. It was signed by nine of our leading bank officers, and it naturally attracted a large amount of popular notice. The very first reform which this report suggested was the prohibition of the custom of paying interest on bank deposits. It was stated that one-half of the banks in the New York Clearing-House had always refused to pay interest on deposits. This was urged as a reason why the other banks should adopt the same policy. Secondly, it was argued that bank deposits are of such a nature that they ought not to bear interest. They are, said the committee, "the current capital of the nation passing into and out of active industry and commerce." These balances are in their very nature a floating fund, a special reserve, held by their owners free from permanent investment, and under immediate command. They constitute a portion of the current wealth of the community which is not yet ready to be consolidated into fixed capital or immovable forms. The banks as custodians of such funds are bound by their trust to preserve these deposits in their integrity, and to apply them only in such ways as will prevent them from falling into inactivity. Moreover, the banks are also bound to hold such a proportion of ready cash in hand as long experience has proved to be necessary, to meet immediate demands in every probable emergency. From these premises the committee affirmed that a bank, or banker, who faithfully meets all these obligations, renders a full equivalent for any benefits which can be honorably derived from the custody of ordinary deposits, and that any further payment in the way of interest on deposits is improper, inequitable, and contrary to sound principles.

The third point insisted upon was equally practical. The committee declared that a bank which allowed interest to its depositors could not carry on its business without violating some of the conditions indispensable to the public safety. It would be tempted by irresistible motives to let its reserves run down below the level of safety, and even of solvency. But it would be further impelled in various ways to use in perilous and bad business the deposits for which it paid so dear. In proof of these positions two events were cited. First, the panic of 1857, which was started by causes that would have been almost powerless if the banks had been sound. But the banks were notoriously unsound, and they had become so in consequence partly of this very custom of paying interest on deposits. Hence this custom was unanimously condemned by the Clearing-House Banks in 1857, and their report is conclusive proof on this subject. The other event to which the committee point is the panic of 1873. When that event occurred, 12 banks of the 60 in the Clearing-House held deposits

amounting to 100 millions, or about half of the entire bank deposits of this city. These 12 banks, during the run precipitated by the panic, lost 59 millions of their deposits, while the other 48 banks lost no more than 30 millions altogether. By this drain the legal-tender reserve of the Clearing-House Banks was reduced from 34 millions on the 20th September, 1873, to its lowest minimum of \$5,800,000 on the 14th of October following. Thus, during an interval of three weeks, no less than 28 millions of their cash reserve was paid out by the New York banks. By what means the 12 banks were enabled to avoid failure we have not space now to explain. In the history of banking and of panics in this country no such drain of ready money had ever occurred before. It became evident that new causes of danger were at work in our financial system, and that their force and magnitude in future panics would create a necessity for new safeguards to protect the public interests, and to guarantee the solvency of the banking system. Among these new safeguards which are required to stem the tide of danger, and to deal with the panics of the future, the committee proposed that the Clearing-House Banks should unanimously refuse to allow interest on deposits.

Other arguments of a similar character were urged in the report, which is one of the most useful documents issued by the Clearing-House Association. It was laid upon the table, where it still remains, awaiting future action. Meanwhile this needful action on the part of the Clearing-House was delayed for the purpose of affording an opportunity for fuller discussion. On all sides it was acknowledged that the reasons against the payment of interest had been well presented by the committee. As equity demanded that the other side should have a hearing, a second committee was chosen for this purpose. They seem, however, to have been very dilatory in the discharge of their duties, for we believe their report has not yet been presented to the Clearing-House. At any rate no account of it has yet reached the public. For several reasons the present time seems a proper one for the revival of this discussion. Several of our interest-paying banks, for reasons like those operating in London, have been compelled to refuse to pay interest on deposits as formerly. Moreover, there are indications that the practical difficulties in the way of paying interest on deposits are increasing, and that these and other circumstances are favorable to a conservative change. Finally, our banking system cannot fail to be exposed to severe pressure during the movement toward specie payments. If any changes can be wisely made in regard to the payment or the refusal of interest on bank deposits, and if these changes will really promote the public interest, and the strength of the banking system, the sooner the reforms are discussed and decided upon the better. Whether it is practical or judicious to stop the payment of interest on deposits altogether, is a question which is as much disputed in Europe as here.

## FAILURES OF THE LAST THREE YEARS.

We have frequently discussed the losses of capital which are caused every year by mercantile failures. The subject, however, is by no means exhausted. There are several points in the legal and financial arrangements about failures which merit more attention than they have received either here or abroad. For example, there is the question: How can these disasters be prevented in the large class of cases in which they are brought on by causes beyond the reach of the insolvent? Then another practical question is: How can we best avert and punish such failures as are fraudulent? Other questions point to the interests of society, and ask: How can we collect accurate statistics of the number of insolvents, their liabilities, dividends, and losses; and how can we best protect the capital and the other interests of the community against the evil results of such failures as do occur? The development and extent of mercantile failures, as we see them, are almost wholly the growth of the present century. In former ages of commercial history these catastrophes were of comparatively rare occurrence. Their magnitude and frequency of late years have received a rapid increase; and every consideration of prudence prompts us to do our best to devise a successful solution of the problems of prevention and cure. Some suggestions for this purpose may be found in the circular just published by Dun, Barlow & Co., of the failures of 1875. From this report it appears that in the United States the number of insolvents last year, though not so large as had been anticipated, was greater than usual, while the amount of the liabilities for each failure was less than the average. The subjoined table shows the total number of failures, in the various sections of the country, for the last three years:

## COMPARISON OF THREE YEARS' FAILURES.

	1875.		1874.		1873.	
	<i>No. of Failures.</i>	<i>Liabilities.</i>	<i>No. of Failures.</i>	<i>Liabilities.</i>	<i>No. of Failures.</i>	<i>Liabilities.</i>
N. Engl'd States	1,335	\$40,015,164	790	\$15,845,000	599	\$29,550,000
Middle States..	2,395	82,522,346	2,035	82,081,000	1,914	140,946,000
Western States.	2,336	36,473,864	1,744	33,073,000	1,619	36,040,000
Southern States.	1,333	36,277,777	1,126	20,690,000	917	19,685,000

To illustrate the distribution of the losses by insolvency, the subjoined table has been prepared, comparing the failures in New York with those of the rest of the country:

## AGGREGATE FAILURES AND AVERAGE LIABILITIES.

	1875.		1874.		1873.	
	<i>No. of Failures.</i>	<i>Liabilities.</i>	<i>No. of Failures.</i>	<i>Liabilities.</i>	<i>No. of Failures.</i>	<i>Liabilities.</i>
United States ...	7,740	\$25,960	5,830	\$26,627	5,183	\$44,085
New York City..	951	51,769	645	50,510	644	143,843

Since the panic and the passage of the Resumption law of 1875, the practical value of the statistics of failures has led to their publication quarterly instead of annually, as heretofore. In our November issue, page 338, we gave the aggregates for the first three quarters of this year. We now continue this table to the end of the year, comparing the totals with those of 1874:

FAILURES IN EACH STATE, 1874 AND 1875.

	<i>Fourth quarter in 1875.</i>		<i>—Total for 1875.—</i>		<i>—Total for 1874.—</i>	
	<i>No. of Failures.</i>	<i>Amount of Liabilities.</i>	<i>No. of Failures.</i>	<i>Amount of Liabilities.</i>	<i>No. of Failures.</i>	<i>Amount of Liabilities.</i>
Alabama.....	20	\$575,100	42	\$1,118,100	48	\$963,000
Arkansas.....	11	170,300	31	391,300	22	406,000
California.....	72	2,156,000	237	5,281,111	68	2,571,000
Colorado.....	17	355,949	70	918,351	..	.....
Connecticut.....	50	483,357	191	2,851,926	151	2,286,000
Delaware.....	6	105,000	21	259,500	27	578,000
Dist't of Columbia.	2	25,000	18	164,924	18	256,000
Florida.....	4	21,000	16	262,800	14	293,000
Georgia.....	33	1,810,034	156	6,128,464	118	1,845,000
Idaho Territory...	..	.....	1	3,000	..	.....
Illinois.....	132	2,204,500	409	8,218,470	332	7,510,000
Indiana.....	96	1,150,040	332	4,804,052	167	2,397,000
Iowa.....	52	595,500	183	1,610,305	144	2,034,000
Kansas.....	31	280,000	88	829,400	94	988,000
Kentucky.....	42	1,087,458	148	3,669,758	167	1,879,000
Louisiana.....	34	2,235,200	58	2,937,684	99	4,429,000
Maine.....	40	633,500	130	1,537,500	84	1,063,000
Maryland.....	23	743,024	108	10,067,690	110	1,691,000
Massachusetts.....	208	11,866,622	772	27,494,943	416	10,600,000
Michigan.....	111	1,633,066	283	4,123,718	286	4,477,000
Minnesota.....	31	440,206	140	1,803,406	60	1,029,000
Mississippi.....	16	100,100	45	913,565	66	1,555,000
Missouri.....	44	1,023,000	189	3,748,793	175	3,001,000
Montana Territory.	5	57,000	6	92,000	..	.....
Nebraska.....	3	21,000	32	197,400	42	521,000
Nevada.....	22	600,000	45	1,011,700	..	.....
New Hampshire....	16	185,500	73	1,076,400	32	266,000
New Jersey.....	57	936,382	134	2,830,485	146	3,854,000
New York.....	230	3,445,965	706	11,920,822	573	10,295,000
New York City....	405	17,567,317	951	49,263,667	645	32,580,000
North Carolina....	12	257,000	56	928,429	56	542,000
Ohio.....	129	3,306,948	389	7,993,282	343	8,481,000
Oregon.....	3	9,000	18	219,448	..	.....
Pennsylvania.....	164	5,227,989	583	18,247,572	644	34,774,000
Rhode Island.....	47	5,286,101	106	6,281,695	71	1,250,000
South Carolina....	13	226,530	131	2,261,048	61	1,531,000
Tennessee.....	53	523,096	136	1,121,839	94	1,585,000
Territories.....	..	.....	..	.....	67	969,000
Texas.....	57	619,610	250	2,495,849	142	2,201,000
Utah Territory....	5	196,000	8	249,500	..	.....
Vermont.....	14	300,200	63	772,700	36	380,000
Virginia & W. Va..	48	1,815,937	138	2,296,307	111	1,514,000
Washington Ter....	..	.....	1	2,804	..	.....
Wisconsin.....	47	607,319	245	2,130,346	101	2,575,000
Total.....	2,405	\$70,888,850	7,740	\$201,060,352	5,830	\$155,239,000
Dominion of Canada	401	\$6,972,067	1,970	\$28,883,611	..	.....

From these figures it appears that out of an aggregate of 680,072 traders, who are reported as doing business in the United

States, 7,740 have failed during the past year. On the increase of failures Messrs. Dun, Barlow & Co. offer some suggestions. They say: "Some interesting conclusions may be drawn from the amount of liabilities to be charged to profit and loss, and from the effect of the losses upon those firms that remain solvent. The liabilities of the 7,740 traders who failed in 1875 are in round numbers 200 millions of dollars. From this amount should be deducted ten per cent. for the advance on the original cost of the goods sold to these parties, leaving an apparent lock-up of 180 millions. Estimating the average yield of failed estates to be  $33\frac{1}{3}$  per cent., and under the operations of the new Bankrupt Law it will fall far short of that, the actual loss to capital account by the failures of the year will stand at about 120 millions of dollars. This amount is equivalent to the value of one-half of the cotton crop, and is more by 30 per cent. than the entire yield of all the gold and silver mines of the country. It is a serious loss that individuals have to bear, to be deducted from the profits of business or to trench upon accumulations of previous years. This 120 millions of loss represents a profit at ten per cent. on 1,200 millions of dollars of business; in other words, that amount of business of the country during the year has been done for nothing, the profits being absorbed by losses. This loss of 120 millions of dollars is diffused among so many centers of trade, and has been so equally divided between individual concerns, that it is safe to infer that by this cause, and the decline in values, a more decisive shrinkage must have been produced than in any year since the panic. Although there has been a large increase in the number of business casualties as compared with previous years, the pressure has not as yet been specially disastrous in any distinctive line of trade, while, as compared with the number of parties engaged in business, the proportion of failures does not seem excessive if we bear in mind the long continued depression. It is true that the failures show a higher percentage than usual; but we question very much if it is higher than in other countries. We believe that if the statistics of the failures in Great Britain or Germany were accessible for the past year, the number of failures in the United States would be found not proportionately excessive. We are entitled to whatever comfort this reflection may bring to us, especially to meet the frequent allegation that our mercantile misfortunes are the result of a monetary system differing from that of the rest of the world. The figures in the above tables from California, where business is done on a gold basis, indicate that one trader in every forty-two has failed; and while in Canada, with a low tariff, a most admirable banking system on a gold foundation, and a light taxation, the number of failures have been one in every twenty-eight, the failures in the United States are but one in every eighty-two."

As to the activity caused by the exportation of breadstuffs and other products of the West and South, the circular says: "While depression, lack of profit, and want of confidence prevail in many



quarters, especially in the Eastern section of the country, there has been considerable activity, a large absorption of goods, and increased purchasing and debt-paying power in the West and portions of the South. The amount of money realized by producers since the 1st of August in all these latter sections, for cotton, tobacco, grain and pork, etc., is estimated at over \$250,000,000—a sum equivalent to two-thirds of the entire issues of all the National Banks of the country. The circulation of so large an amount of currency in these locations has rendered fairly active the jobbing and retail trades in many quarters. Stocks of merchandise have thus been moved, and manufacturers of staples have been kept partially, if not fully, employed. This favorable feature in the general retrospect is undoubted, and is likely to be still further augmented, for, though the deliveries of agricultural products have been liberal, yet there remains to be realized fully two-thirds of the wealth garnered during the summer and autumn. Aside, however, from the sectional improvement thus noticed, the general results of the year have not been satisfactory. The number of those actively engaged in trade who have added to their surplus are exceptionally few; those who have held their own are not numerous, while a larger number than both of these combined would have to admit a shrinkage, if their assets were valued at realizable figures. There is, however, one consideration which has been very apparent in the year just closed, and from which some comfort may be derived—namely, that the active surplus or capital employed in the mercantile trade of the country has been shown to be in larger proportion to the extent of business done, and to the amount of existing liabilities, than at any time in our previous history. It is, we believe, in excess of that of any other country in the world having a proportionate extent of internal trade. That this is the case is made obvious by the absence of anything like general disaster among the traders in numerous branches, notwithstanding they have suffered intensely for so long a time from the depression. It is true that the failures of the year are numerous, but they have been confined to no distinctive trades; they bear a very small proportion to the number in each branch of business; and, above all, in many cases some circumstances are noticeable, involving departure from legitimate business principles, which, sooner or later, would result in ruin, even in the best of times. Failures from individual indiscretions in business, and fraudulent attempts to make money by compromising with creditors when legitimate business is dull, should not be regarded as indications of a want of capital in trade generally, nor a lack of ability to stand the pressure of the times."

These are the principal features of the report, which we have somewhat abridged to bring them within our space. We have given a fuller account of the facts here, because they are so instructive and so full of suggestion as to the duty of the com-

munity in regard to this much-neglected subject. Nothing is more certain than that mercantile failures, though a very destructive National evil, are not wholly preventable. No less than 200 millions of capital were involved last year in these failures. No less than 7,740 insolvents were the sufferers, and a large body of creditors were heavy losers. As it is certain that these failures are calamities which can to some extent be warded off and avoided, it is clearly the interest and the duty of good citizens and thoughtful men to do something to solve the problems here offered to view. If only one-fourth of the above failures had been prevented, the country would have retained the active use of 50 millions of capital which has been locked up. We should have had nearly 2,000 more solvent firms at work to increase the productive wealth of the country, and a large body of creditors who have been crippled by the inability to collect their debts would have been freed from this fruitful source of embarrassment.

In regard to the publication of the statistics of failures, much remains to be done. The foregoing tables, both accurate and full as they are generally believed to be, give us very imperfect information as to several points of the first importance. For example, the total dividends of the insolvent estates are never reported, nor the number of insolvents who have failed before, nor of those who have resumed business for themselves. Again, with respect to the causes of failure, we are left almost wholly to conjecture. We offer this criticism for the purpose of aiding and stimulating the preparation of Governmental reports. The value of the tables of Messrs. Dun & Co. is very great, as far as they go; but they do not go far enough. Their purpose is not to give abstract information of statistics, but to supply the public with business facts, and this purpose they admirably fulfill. With regard to the recent failures in England last year, we have, as yet, no report in detail. A correspondent of the *London Times* has given some account of the principal mercantile failures in Great Britain during 1875, which he reports as amounting in number to 1,707. He adds that "This number is equivalent to about 3 per cent. of the total number of firms, and the total liabilities involved may be stated at about 30 millions sterling." The *Times*, comparing the exhibit with its memories of the commercial crisis of 1847-8, says: "All things considered, there is neither such universal ruin, nor such concentrated ruin, nor yet such utter ruin as that of the former period, when it seemed as if for a time every commercial house was on the totter, when everybody seemed to be threatened, and when England was the chief sufferer, because the chief delinquent. Yet the present list will surprise all who have not had a worse experience, and will often 'startle those who measure these things by their preconceived ideas.'" The *Times* points out the fact that the list does not measure the losses by foreign loans and defaulting States. We may add that it is no doubt further imperfect, as being confined to merchants and larger traders and manufacturers, while

the American statistics are much less limited, and include all our business firms, great and small. Thus, in Great Britain, 1,707 insolvencies were 3 per cent. of all the firms reported, while in the United States 7,740 insolvencies were but 1.1 per cent. of the firms reported. In other words, the English firms reported were 56,843, and the American firms reported were 680,072, while the English insolvencies were relatively almost three times as numerous as those of Great Britain.

---

### RAILROAD PROGRESS AND ITS PROSPECTS.

Since the great railroad panic of 1873 two principles have governed the construction of new railroads in this country. We have built short lines instead of long ones, and have thus supplied missing links in trunk lines, or created local roads where the traffic is assured beforehand. Formerly, with the most reckless prodigality, we extended long and costly lines of railroad through districts in which the traffic had to be created, and was expected to grow up during the lapse of many years. The second principle of our present railroad construction is that the funds expended are not derived wholly from bonds or other credit documents, for the simple reason that it has been impossible in this way to raise the sums needful for any reckless extension of railroads. The operation of these conservative principles is seen in the report of our railway system just prepared by the *Railroad Gazette*. The number of miles added last year to our railroad net-work is reported at 1,483, the average length of each new line being only 17 miles. In 1874, 2,025 miles of new railroad were built, and in 1873 3,883 miles. In 1872, the year before the panic, the new railroads amounted to 7,340 miles, or more than fivefold the aggregate of last year. As another illustration of the principles referred to, we may state that in the South the progress of railroad construction has been almost arrested, and in the North-west it has declined 90 per cent. since the great excitement of 1872. But if we turn to the States whose wealth and productive power are most active, we see a corresponding activity in the railroad system. Thus, in New England, the new railroad aggregate is but little below that of last year. California and Illinois have each built more than 170 miles, while New York has built 200 miles, which is a larger addition of new railroad than that of any other State in 1875. Comparing the various States, we find in the first rank Illinois, with a mileage of 6,931; next comes Pennsylvania, with 5,805 miles; New York ranks third, with 5,450 miles, and Ohio fourth, with 4,405 miles. In these four States, whose united population is 14 millions, and their area 188,374 square miles, there are in operation 22,591 miles of railroad, or nearly 40 per cent. more than is comprised in the whole railroad system of Great Britain and Ireland. To illustrate

the chief facts of our railroad progress, we have compiled the following table:

### RAILROAD PROGRESS IN THE UNITED STATES, 1865-1875.



#### SUMMARY OF THE AGGREGATE MILEAGE.

<i>Mileage.</i>	1875.	1874.	1873.	1872.	1871.	1870.	1865.
New England States..	5,621	5,509	5,314	5,053	4,898	4,494	3,834
Middle States.....	14,703	14,291	14,019	13,499	12,380	10,981	8,539
Western States.....	35,513	34,882	33,804	32,112	28,328	23,540	12,847
Southern States.....	15,706	15,602	15,353	14,112	13,446	12,196	9,632
Pacific States.....	2,578	2,339	2,193	1,959	1,795	1,677	233
<b>Total United States.</b>	<b>74,121</b>	<b>72,623</b>	<b>70,683</b>	<b>66,735</b>	<b>60,568</b>	<b>52,898</b>	<b>35,085</b>

DETAILS OF EACH STATE.							
Maine.....	967	957	905	871	871	786	521
New Hampshire.....	933	918	877	810	790	736	667
Vermont.....	810	778	721	710	675	614	587
Massachusetts.....	1,820	1,786	1,755	1,658	1,606	1,480	1,297
Rhode Island.....	173	173	156	136	136	136	125
Connecticut.....	918	897	897	868	820	742	637
<b>New England States.</b>	<b>5,621</b>	<b>5,509</b>	<b>5,314</b>	<b>5,053</b>	<b>4,898</b>	<b>4,494</b>	<b>3,834</b>
New York.....	5,450	5,250	5,165	4,925	4,470	3,928	3,002
New Jersey.....	1,510	1,438	1,418	1,378	1,265	1,125	864
Pennsylvania.....	5,805	5,687	5,550	5,369	5,113	4,656	3,728
Delaware.....	285	280	264	254	227	224	134
Maryland and D. C....	1,077	1,060	1,046	1,012	820	671	446
West Virginia.....	576	576	576	561	483	387	305
<b>Middle States.....</b>	<b>14,703</b>	<b>14,291</b>	<b>14,019</b>	<b>13,499</b>	<b>12,380</b>	<b>10,981</b>	<b>8,539</b>
Ohio.....	4,405	4,398	4,258	4,108	3,740	3,538	3,331
Michigan.....	3,391	3,361	3,309	2,976	2,116	1,638	941
Indiana.....	4,000	3,890	3,714	3,619	3,529	3,177	2,217
Illinois.....	6,031	6,759	6,589	6,361	5,904	4,823	3,157
Wisconsin.....	2,451	2,428	2,203	1,871	1,725	1,525	1,010
Minnesota.....	1,990	1,990	1,955	1,906	1,612	1,092	213
Iowa.....	3,850	3,765	3,728	3,643	3,160	2,683	891
Kansas.....	2,150	2,150	2,100	2,063	1,760	1,501	40
Nebraska.....	1,229	1,107	1,107	1,051	943	705	122
Missouri.....	2,907	2,880	2,858	2,673	2,560	2,000	925
Wyoming Territory...	459	459	459	459	459	459	....
Utah.....	486	459	372	349	257	257	....
Dacotah.....	290	275	275	234	65	....	....
Colorado.....	795	682	603	483	328	157	....
Indian Territory.....	279	279	279	279	92	....	....
<b>Western States.....</b>	<b>55,513</b>	<b>34,882</b>	<b>33,804</b>	<b>32,112</b>	<b>28,328</b>	<b>23,540</b>	<b>12,847</b>
Virginia.....	1,638	1,638	1,573	1,537	1,490	1,486	1,407
North Carolina.....	1,328	1,315	1,205	1,250	1,190	1,178	984
South Carolina.....	1,335	1,320	1,320	1,290	1,201	1,139	1,007
Georgia.....	2,264	2,260	2,260	2,160	2,108	1,845	1,420
Florida.....	484	484	466	466	466	446	416
Alabama.....	1,722	1,722	1,722	1,628	1,496	1,157	805
Mississippi.....	1,018	1,018	990	990	990	990	898
Louisiana.....	539	539	539	539	539	479	335
Texas.....	1,684	1,650	1,578	1,073	865	711	465
Kentucky.....	1,326	1,326	1,320	1,266	1,123	1,017	567
Tennessee.....	1,630	1,630	1,620	1,520	1,520	1,492	1,296
Arkansas.....	738	700	700	450	258	256	38
<b>Southern States.....</b>	<b>15,706</b>	<b>15,602</b>	<b>15,353</b>	<b>14,112</b>	<b>13,446</b>	<b>12,196</b>	<b>9,632</b>
California.....	1,503	1,328	1,208	1,042	1,013	925	214
Oregon.....	251	251	251	241	159	159	19
Nevada.....	714	650	629	611	593	593	....
Washington Territory.	110	110	105	65	25	....	....
<b>Pacific States.....</b>	<b>2,578</b>	<b>2,339</b>	<b>2,193</b>	<b>1,959</b>	<b>1,790</b>	<b>1,677</b>	<b>233</b>

It may be interesting to compare the foregoing figures with those of the report of the British railways, which has just been published for the year ending 1st January, 1875. By law this

report has to be prepared by the Board of Trade. It is very minute and valuable, and is less tardy than formerly in making its annual appearance. It states the aggregate of the British railroads 31 December, 1874, at 16,449 miles, of which 8,749 miles were laid with  or more lines, and 7,700 miles with single lines of . This mileage was distributed as follows: in England, 11,622 miles; in Scotland, 2,700 miles; in Ireland, 2,127 miles. In 1874 there was an increase of 367 miles, from 16,082 miles to 16,449 miles, or at the rate of 2.28 per cent. This increase was made up as follows: from 11,369 miles to 11,622 miles, or 2.23 per cent., in England; from 2,612 miles to 2,700 miles, or 3.37 per cent., in Scotland; and from 2,101 miles to 2,127 miles, or 1.24 per cent., in Ireland. The railway system is reported as far from complete in both of these countries. The aggregate length of railways authorized by Parliament during the years 1870, 1871, 1872, 1873, and 1874, amounts to more than 2,200 miles. The total capital raised by shares and loans amounted, on the 31st of December, 1871, to £552,661,551; on the 31st of December, 1872, to £569,047,346; on the 31st of December, 1873, to £588,320,308; on the 31st of December, 1874, to £609,895,931,—showing an increase of £21,575,623 raised during 1874. The average expenditure per mile of railway open, which was £34,099 at the end of 1858, had increased to £34,106 at the end of 1870, to £35,944 at the end of 1871, to £35,984 at the end of 1872, to £36,574 at the end of 1873, and still further, to £37,078 at the end of 1874.

To American readers one of the most interesting features of the report is that showing the returns paid by the English railroads to investors. It is reported that the average rate of interest paid on the common stock of the railway companies in 1874 was 4.49 per cent., against 4.99 per cent. for 1873, 5.14 per cent. for 1872, and 5.07 per cent. for 1871, showing a decrease for 1874 of .5 per cent. below 1873, .65 per cent. below 1872, and .58 per cent. below 1871; while on guaranteed and preferential shares, and on the bonded debt, the average interest paid was 4.41 per cent. for 1874, against 4.39 per cent. for each of the years 1873 and 1872, 4.42 per cent. for 1871, and 4.48 for 1870. Of the ordinary share capital, amounting to over £248,500,000, more than £43,500,000, as above stated, or 6 millions sterling more than in the previous year, received no dividend at all. Of the remaining 205 millions sterling, in round numbers—6 millions received dividends of less than 1 per cent.; 10 millions received dividends of from 1 to a fraction under 2 per cent.; 8 millions from 2 to a fraction under 3 per cent.; 17 millions from 3 to a fraction under 4 per cent.; 35 millions from 4 to a fraction under 5 per cent.; 24 millions from 5 to a fraction under 6 per cent.; 77 millions from 6 to a fraction under 7 per cent.; 4 millions from 7 to a fraction under 8 per cent.; 18 millions from 8 to a fraction under 9 per cent.; 1 million from 9 to a fraction under 10 per cent.; 5 millions from 11 to 13 per cent. Included in

these aggregates is a large amount of capital of lines under lease, or of capital which enjoys a guarantee of fixed rates of interest. Although this amount was subscribed, and has been reported as ordinary stock of companies whose lines are thus leased, it might, perhaps, more properly be considered as guaranteed capital of the leasing companies. The rates of interest on this amount are not, however, generally high, excepting in one case, in which nearly £2,500,000 received  $11\frac{3}{8}$  per cent. of interest. Of the £43,500,000 of ordinary share capital on which no dividend was paid, 38 millions sterling belonged to English companies,  $2\frac{1}{2}$  millions to Scotch companies, and 2 millions to Irish companies.

The next point of importance is the ratio of the operating expenses to the earnings. The gross receipts for the year 1874 amounted to £56,899,498 on 16,449 miles, against £55,675,421 on 16,082 miles for 1873, against £51,304,114 on 15,814 miles for 1872, and against £47,107,558 on 15,376 miles for 1871; while the working expenses were £31,647,517 for 1874, against £30,060,112 for 1873, against £25,652,753 for 1872, and against £22,632,046 for 1871. The proportion of working expenses to gross receipts was, therefore, 55·6 per cent for 1874, against 54·0 per cent. for 1873, against 50·0 per cent. for 1872, and against 48·4 per cent. for 1871; and the percentage of net receipts to total capital decreased, as already explained, from 4·43 for 1871, and 4·51 for 1872, to 4·35 for 1873, and to 4·14 for 1874. The total receipts per mile open, which increased from £2,786 in 1870 to £3,064 in 1871, to £3,244 in 1872, and to £3,462 in 1873, amounted to £3,459 in 1874. The total expenditure per open mile for the United Kingdom was £1,357 in 1870, £1,471 in 1871, £1,622 in 1872, £1,866 in 1873, and £1,924 in 1874. In England it was £2,294 in 1874, against £2,215 in 1873.

Finally, we learn from the report before us that an aggregate sum of £609,895,931 had been expended on 16,449 miles of railway, of which 8,749 miles were laid with two or more lines of rails, and 7,700 miles were single lines, at a cost of about £37,000 a mile. There were 11,935 locomotive engines, or about one to every mile and a half; and 379,899 cars, or about 23 per mile, besides great numbers of trucks, of which there is no means of forming an estimate, belonging to traders and companies other than railway companies. By the running of trains over 200,484,263 miles £56,899,498 were received during the year, of which £31,647,517 were expended in working and maintenance, and £25,251,981 remained as net profit, so that 56 per cent. of the gross receipts were expended in earning them. The average rate of dividend on ordinary capital was 4·49 per cent., and on the total capital 4·45 per cent., including £51,656,465 of capital which received no interest or dividend. The average cost of working each train was 37·89 pence per mile, and the average receipt from each train was 68·11 pence per mile, so that the average net profit from each train was 30·22 pence per mile; while the total cost of working was £1,924 per open mile, £3,459 per open mile were received, and the net profit was

£1,535 per open mile. The total mileage of railway open and working in the British Empire is reported as follows:

	<i>Miles.</i>
United Kingdom of Great Britain and Ireland.....	16,449
Dominion of Canada.....	4,002
India .....	6,273
Ceylon .....	82
Jamaica .....	27
Demerara .....	20
Australia ... { New South Wales.....	402½
{ Victoria .....	539
{ South Australia.....	133½
{ Queensland .....	263
Total Australia.....	1,338
Tasmania .....	45
New Zealand.....	238
Cape Colonies.....	67
Mauritius .....	66
Total of Colonial Empire of Great Britain.....	12,158
Grand total of railway mileage in the British Empire .....	28,607

## PAPER MONEY AND PRICES.

BY JOHN STUART MILL.

[*Abridged.*]

There are five methods in which credit documents answer the purpose of money: first, by means of mutual set-off of reciprocal debts, which is a sort of barter; secondly, by bills of exchange, which is a method that has received a great enlargement during the present century; thirdly, by promissory notes, which are also a familiar form of credit among mercantile men; and lastly, by checks. These last constitute the most extensive substitutes for money in the making of payments through the Clearing-House. To these we may add, as a fifth kind of paper money, irredeemable notes issued by the Government. There has been a great amount of discussion and argument on the question whether several of these forms of credit, and in particular whether bank-notes, ought to be considered as money. The question is so purely verbal as to be scarcely worth raising, and one would have some difficulty in comprehending why so much importance is attached to it, if there were not some authorities who, still adhering to the doctrine of the infancy of society and of political economy, that the quantity of money compared with that of commodities, determines general prices, think it important to prove that bank-notes and no other forms of credit are money, in order to support the inference that bank-notes and no other forms of credit influence prices. It is obvious, however, that prices do not depend on money, but on purchases. Money left with a banker, and not drawn against, or drawn against for other purposes than

buying commodities, has no effect on prices, any more than credit which is not used. Credit which is used to purchase commodities, affects prices in the same manner as money. Money and credit are thus exactly on a par, in their effect on prices; and whether we choose to class bank-notes with the one or the other is in this respect entirely immaterial.

Since, however, this question of nomenclature has been raised, it seems desirable that it should be answered. The reason given for considering bank-notes as money is, that by law and usage they have the property, in common with metallic money, of finally closing the transactions in which they are employed; while the other modes above referred to, of paying one debt by transferring another, are without that privilege. The first remark which here suggests itself is, that, on this showing, the notes at least of private banks are not money; for a creditor cannot be forced to accept them in payment of a debt. They certainly close the transaction if he does accept them; but so, on the same supposition, would a bale of cloth, or a pipe of wine; which are not for that reason regarded as money. It seems to be an essential part of the idea of money, that it be legal tender. An inconvertible paper which is legal tender is universally admitted to be money; in the French language the phrase *papier-monnaie* actually means inconvertibility, convertible notes being merely *billets à porteur*. It is only in cases like that of Bank of England notes under the law of convertibility, that any difficulty arises; those notes not being a legal tender from the bank itself, though a legal tender from all other persons. Bank of England notes undoubtedly do close transactions, so far as respects the buyer. When he has once paid in Bank of England notes, he can in no case be required to pay over again. But I confess I cannot see how the transaction can be deemed complete as regards the seller, when he will only be found to have received the price of his commodity provided the bank keeps its promise to pay. An instrument which would be deprived of all value by the insolvency of a corporation, cannot be money in any sense in which money is opposed to credit. It either is not money, or it is money and credit too. It may be most suitably described as coin credit. The other forms of credit may be distinguished from it as credit in ingots. After experience had shown that pieces of paper, of no intrinsic value, by merely bearing upon them the written profession of being equivalent to a certain number of francs, dollars, or pounds, could be made to circulate as such, and to produce all the benefit to the issuers which could have been produced by the coins which they purported to represent, Governments began to think that it would be a happy device if they could appropriate to themselves this benefit, free from the condition to which individuals issuing such paper substitutes for money were subject, of giving, when required, for the sign, the thing signified. They determined to try whether they could not emancipate themselves from this unpleasant obligation, and make a piece of paper issued



by them pass for a pound, by merely calling it a pound, and consenting to receive it in payment of the taxes. And such is the influence of almost all established Governments, that they have generally succeeded in attaining this object; I believe I might say they have always succeeded for a time, and the power has only been lost to them after they had compromised it by the most flagrant abuse.

In the issue of Government notes not redeemable in coin, the functions of money are performed by a thing which derives its power of performing them solely from convention; but convention is quite sufficient to confer the power, since nothing more is needful to make a person accept anything as money, and even at any arbitrary value, than the persuasion that it will be taken from him on the same terms by others. The only question is, what determines the value of such a currency; since it cannot be, as in the case of gold and silver (or paper exchangeable for them at pleasure), the cost of production. We have seen, however, that even in the case of a metallic currency?—the immediate agency in determining its value is its quantity. If the quantity, instead of depending on the ordinary mercantile motives of profit and loss, could be arbitrarily fixed by authority, the value would depend on the fiat of that authority, not on cost of production. The quantity of a paper currency not convertible into the metals at the option of the holder, can be arbitrarily fixed; especially if the issuer is the sovereign power of the State. The value, therefore, of such a currency is entirely arbitrary. Suppose that, in a country of which the currency is wholly metallic, a paper currency is suddenly issued, to the amount of half the metallic circulation; not by a banking establishment, or in the form of loans, but by the Government, in payment of salaries and purchase of commodities. The currency being suddenly increased by one-half, all prices will rise, and among the rest the prices of all things made of gold and silver. An ounce of manufactured gold will become more valuable than an ounce of gold coin, by more than that customary difference which compensates for the value of the workmanship; and it will be profitable to melt the coin for the purpose of being manufactured, until as much has been taken from the currency by the subtraction of gold, as has been added to it by the issue of paper. Then prices will relapse to what they were at first, and there will be nothing changed except that a paper currency has been substituted for half the metallic currency which existed before. Suppose, now, a second emission of paper; the same series of effects will be renewed; and so on, until the whole of the metallic money has disappeared: that is, if paper be issued of as low a denomination as the lowest coin; if not, as much will remain as convenience requires for the smaller payments. The addition made to the quantity of gold and silver disposable for ornamental purposes, will somewhat reduce, for a time, the value of the article; and as long as this is the case, even though paper has been issued to

the original amount of the metallic circulation, as much coin will remain in circulation along with it, as will keep the value of the currency down to the reduced value of the metallic material; but, the value having fallen below the cost of production, a stoppage or diminution of the supply from the mines will enable the surplus to be carried off by the ordinary agents of destruction, after which the metals and the currency will recover their natural value. We are here supposing, as we have supposed throughout, that the country has mines of its own, and no commercial intercourse with other countries; for, in a country having foreign trade, the coin which is rendered superfluous by an issue of paper is carried off by a much prompter method.

Up to this point, the effects of a paper currency are substantially the same, whether it is convertible into specie or not. It is when the metals have been completely superseded and driven from circulation, that the difference between convertible and inconvertible paper begins to be operative. When the gold or silver has all gone from circulation, and an equal quantity of paper has taken its place, suppose that a still further issue is superadded. The same series of phenomena re-commences; prices rise, among the rest the prices of gold and silver articles, and it becomes an object as before to procure coin in order to convert it into bullion. There is no longer any coin in circulation; but, if the paper currency is convertible, coin may still be obtained from the issuers, in exchange for notes. All additional notes, therefore, which are attempted to be forced into circulation after the metals have been completely superseded, will return upon the issuers in exchange for coin; and they will not be able to maintain in circulation such a quantity of convertible paper as to sink its value below the metal which it represents. It is not so, however, with an inconvertible currency. To the increase of that (as permitted by law) there is no check. The issuers may add to it indefinitely, lowering its value and raising prices in proportion; they may, in other words, depreciate the currency without limit. Such a power, in whomsoever vested, is an intolerable evil. All variations in the value of the circulating medium are mischievous; they disturb existing contracts and expectations, and the liability to such changes renders every pecuniary engagement of long date entirely precarious. The person who buys for himself, or gives to another, an annuity of £100, does not know whether it will be equivalent to £200 or to £50 a few years hence. Great as this evil would be if it depended only on accident, it is still greater when placed at the arbitrary disposal of an individual or a body of individuals; who may have any kind or degree of interest to be served by an artificial fluctuation in fortunes; and who have at any rate a strong interest in issuing as much as possible, each issue being in itself a source of profit. Not to add, that the issuers may have, and in the case of a Government paper always have, a direct interest in lowering the value of the currency, because it is the medium in which their own debts are computed.

In order that the value of the currency may be secure from being altered by design, and may be as little as possible liable to fluctuation from accident, the articles least liable of all known commodities to vary in their value, the precious metals, have been made in all civilized countries the standard of value for the circulating medium; and no paper currency ought to exist of which the value cannot be made to conform to theirs. Nor has this fundamental maxim ever been entirely lost sight of, even by the Governments which have most abused the power of creating inconvertible paper. If they have not (as they generally have) professed an intention of paying in specie at some indefinite future time, they have at least, by giving to their paper issues the names of their coins, made a virtual, though generally a false, profession of intending to keep them at a value corresponding to that of the coins. This is not impracticable, even with an inconvertible paper. There is not, indeed, the self-acting check which convertibility brings with it. But there is a clear and unequivocal indication by which to judge whether the currency is depreciated, and to what extent. That indication is the price of the precious metals. When holders of paper cannot demand coin to be converted into specie, and when there is none left in circulation, gold rises and falls in price like other things; and if gold rises above par, the value of the currency has sunk just that much below what the value of a metallic currency would be. If, therefore, the issue of inconvertible paper were subjected to strict rules, one rule being that whenever bullion rose above par, the issues should be contracted until the market price of bullion and the Mint price were again in accordance, such a currency would not be subject to all the evils usually deemed inherent in an inconvertible paper. But such a system of currency would have no advantages sufficient to recommend it for adoption. An inconvertible currency, regulated by the price of bullion, would conform exactly, in all its variations, to a convertible one; and the only advantage gained would be that of exemption from the necessity of keeping any reserve of the precious metals, which is not a very important consideration, especially as a Government, so long as its good faith is not suspected, needs not to keep so large a reserve as private issuers, being not so liable to great and sudden demands, since there never can be any real doubt of its solvency. Against this small advantage is to be set, in the first place, the possibility of fraudulent tampering with the price of bullion for the sake of acting on the currency; in the manner of fictitious sales of corn, to influence the averages, so much and so justly complained of while the corn laws were in force. But a still stronger consideration is the importance of adhering to a simple principle, intelligible to the most untaught capacity. Everybody can understand convertibility; every one sees that what can be at any moment exchanged for five pounds is worth five pounds. Regulation by the price of bullion is a more complex idea, and does not recommend itself

through the same familiar associations. There would be nothing like the same confidence, by the public generally, in an inconvertible currency so regulated, as in a convertible one; and the most instructed person might reasonably doubt whether such a rule would be as likely to be inflexibly adhered to. The grounds of the rule not being so well understood by the public, opinion would probably not enforce it with as much rigidity, and, in any circumstances of difficulty, would be likely to turn against it, while to the Government itself a suspension of convertibility would appear a much stronger and more extreme measure, than a relaxation of what might possibly be considered a somewhat artificial rule. There is, therefore, a great preponderance of reasons in favor of a convertible, in preference to even the best regulated inconvertible currency. The temptation to over-issue, in certain financial emergencies, is so strong that nothing is admissible which can tend, in however slight a degree, to weaken the barriers that restrain it.

Although no doctrine in political economy rests on more obvious grounds than the mischief of a paper currency not maintained at the same value with a metallic, either by convertibility or by some principle of limitation equivalent to it; and although, accordingly, this doctrine has, though not till after the discussions of many years, been tolerably effectually drummed into the public mind; yet dissentients are still numerous, and projectors, every now and then, start up with plans for curing all the economical evils of society by means of an unlimited issue of inconvertible paper. There is, in truth, a great charm in the idea. To be able to pay off the National debt, defray the expenses of Government without taxation, and, in fine, to make the fortunes of the whole community, is a brilliant prospect, when once a man is capable of believing that printing a few characters on bits of paper will do it. The philosopher's stone could not be expected to do more.

As these projects, however often slain, always resuscitate, it is not superfluous to examine one or two of the fallacies by which the schemers impose upon themselves. One of the commonest is, that a paper currency cannot be issued in excess so long as every note issued *represents* property, or has a *foundation* of actual property to rest on. These phrases, of representing and resting, seldom convey any distinct or well-defined idea; when they do, their meaning is no more than this—that the issuers of the paper must *have* property, either of their own or intrusted to them, to the value of all the notes they issue; though for what purpose does not very clearly appear; for if the property cannot be claimed in exchange for the notes, it is difficult to divine in what manner its mere existence can serve to uphold their value. I presume, however, it is intended as a guarantee that the holders would be finally reimbursed, in case any untoward event should cause the whole concern to be wound up. On this theory there have been many schemes for “coining the whole land of the country into money,” and the

like. In so far as this notion has any connection at all with reason, it seems to originate in confounding two entirely distinct evils, to which a paper currency is liable. One is, the insolvency of the issuers; which, if the paper is grounded on their credit—if it makes any promise of payment in cash, either on demand or at any future time—of course deprives the paper of any value which it derives from the promise. To this evil paper credit is equally liable, however moderately used; and against it, a proviso that all issues should be “founded on property,” as, for instance, that notes should only be issued on the security of some valuable thing expressly pledged for their redemption, would really be efficacious as a precaution. But the theory takes no account of another evil, which is incident to the notes of the most solvent firm, company, or government: that of being depreciated in value from being issued in excessive quantity. The assignats, during the French Revolution, were an example of a currency grounded on these principles. The assignats “represented” an immense amount of highly valuable property, namely the lands of the crown, the church, the monasteries, and the emigrants; amounting possibly to half the territory of France. They were, in fact, orders or assignments on this mass of land. The revolutionary government had the idea of “coining” these lands into money; but, to do them justice, they did not originally contemplate the immense multiplication of issues to which they were eventually driven by the failure of all other financial resources. They imagined that the assignats would come rapidly back to the issuers in exchange for land, and that they should be able to reissue them continually until the lands were all disposed of, without having at any time more than a very moderate quantity in circulation. Their hope was frustrated: the land did not sell so quickly as they expected; buyers were not inclined to invest their money in possessions which were likely to be resumed without compensation if the Revolution succumbed; the bits of paper which represented land, becoming prodigiously multiplied, could no more keep up their value than the land itself would have done if it had all been brought to market at once; and the result was that it at last required an assignat of six hundred francs to pay for a pound of butter.

The example of the French assignats has been said not to be conclusive, because an assignat only represented land in general, but not a definite quantity of land. To have prevented their depreciation, the proper course, it is affirmed, would have been to have made a valuation of all the confiscated property at its metallic value, and to have issued assignats up to, but not beyond, that limit; giving to the holders a right to demand any piece of land, at its registered valuation, in exchange for assignats to the same amount. There can be no question about the superiority of this plan over the one actually adopted. Had this course been followed, the assignats could never have been depreciated to the inordinate degree they were; for—as they would have retained all their purchasing power in relation to land, however much they

might have fallen in respect to other things—before they had lost very much of their market value, they would probably have been brought in to be exchanged for land. \*It must be remembered, however, that their not being depreciated would presuppose that no greater number of them continued in circulation than would have circulated if they had been convertible into cash. However convenient, therefore, in a time of revolution, this currency convertible into land on demand might have been, as a contrivance for selling rapidly a great quantity of land with the least possible sacrifice, it is difficult to see what advantage it would have, as the permanent system of a country, over a currency convertible into coin; while it is not at all difficult to see what would be its disadvantages, since land is far more variable in value than gold and silver; and besides, land, to most persons, being rather an incumbrance than a desirable possession, except to be converted into money, people would submit to a much greater depreciation before demanding land, than they will before demanding gold or silver.\*

Another of the fallacies from which the advocates of an inconvertible currency derive support, is the notion that an increase of the currency quickens industry. This idea was set afloat by Hume, in his *Essay on Money*, and has had many devoted adherents since; witness the Birmingham currency school, of whom Mr. Attwood was at one time the most conspicuous representative. Mr. Attwood maintained that a rise of prices produced by an increase of paper currency, stimulates every producer to his utmost exertions, and brings all the capital and labor of the country into complete employment; and that this has invariably happened in all periods of rising prices, when the rise was on a sufficiently great scale. I presume, however, that the inducements which, according to Mr. Attwood, excited this unusual ardor in all persons engaged in production, must have been the expectation of getting more of commodities generally, more real wealth, in exchange for the produce of their labor, and not merely more pieces of paper. This expectation, however, must have been, by the very terms of the supposition, disappointed, since, all prices being supposed to rise equally, no one was really better paid for his goods than before. Those who agree with Mr. Attwood could only succeed in winning people on to these unwonted exertions, by a prolongation of what would in fact be a delusion; contriving matters so, that by a progressive rise of money prices, every producer shall always seem to be in the very act obtaining an increased remuneration which he never, in reality, does obtain. It is unnecessary to advert to any other of the objections to this plan, than that of its total

\* Among the schemes of currency to which, strange to say, intelligent writers have been found to give their sanction, one is as follows: that the State should receive in pledge or mortgage, any kind or amount of property, such as land, stock, etc., and should advance to the owners inconvertible paper money to the estimated value. Such a currency would not even have the recommendations of the imaginary assignats supposed in the text; since those into whose hands the notes were paid by the persons who received them, could not return them to the Government, and demand in exchange land or stock which was only pledged, not alienated. There would be no reflux of such assignats as these, and their depreciation would be indefinite.

impracticability. It calculates on finding the whole world persisting for ever in the belief that more pieces of paper are more riches, and never discovering that, with all their paper, they cannot buy more of anything than they could before. No such mistake was made during any of the periods of high prices, on the experience of which this school lays so much stress. At the periods which Mr. Attwood mistook for times of prosperity, and which were simply (as all periods of high prices, under a convertible currency, must be) times of speculation, the speculators did not think they were growing rich because the high prices would last, but because they would not last, and because whoever contrived to realize while they did last, would find himself, after the recoil, in possession of a greater number of pounds sterling, without their having become of less value. If, at the close of the speculation, an issue of paper had been made, sufficient to keep prices up to the point which they attained when at the highest, no one would have been more disappointed than the speculators; since the gain which they thought to have reaped by realizing in time (at the expense of their competitors, who bought when they sold, and had to sell after the revulsion) would have faded away in their hands, and instead of it they would have got nothing except a few more paper tickets to count by.

Hume's version of the doctrine differed in a slight degree from Mr. Attwood's. He thought that all commodities would not rise in price simultaneously, and that some persons therefore would obtain a real gain, by getting more money for what they had to sell, while the things which they wish to buy might not yet have risen. And those who would reap this gain would always be (he seems to think) the first comers. It seems obvious, however, that for every person who thus gains more than usual, there is necessarily some other person who gains less. The loser, if things took place as Hume supposes, would be the seller of the commodities which are slowest to rise; who, by the supposition, parts with his goods at the old prices, to purchasers who have already benefited by the new. This seller has obtained for his commodity only the accustomed quantity of money, while there are already some things of which that money will no longer purchase as much as before. If, therefore, he knows what is going on, he will raise his price, and then the buyer will not have the gain, which is supposed to stimulate his industry. But if, on the contrary, the seller does not know the state of the case, and only discovers it when he finds, in laying his money out, that it does not go so far, he then obtains less than the ordinary remuneration for his labor and capital; and if the other dealer's industry is encouraged, it should seem that his must, from the opposite cause, be impaired. There is no way in which a general and permanent rise of prices, or, in other words, depreciation of money, can benefit anybody, except at the expense of somebody else. The substitution of paper for metallic currency is a National gain: any further increase of paper beyond this is but a form of robbery.

## GOVERNOR TILDEN'S ANNUAL MESSAGE.

The message of Governor Tilden to the Legislature of the State of New York is a long and able document. It gives a thorough exhibit of the financial condition of the State and its resources, and points out clearly the dangers upon which we as a people are drifting, through exorbitant taxation and governmental extravagance. The concluding paragraphs of the message combat vigorously the financial heresies of inflationists, and urge as remedies for our present distress a prompt and large reduction in municipal, State and National expenditures, as well as a more vigorous frugality in private expenditure.

The net indebtedness of the State, after deducting the Sinking Fund, is \$14,747,304. The actual reduction of the debt during the last fiscal year is \$1,870,770. The following is the exhibit of the debt:

	<i>Debt.</i> <i>Sept. 30th, 1875.</i>		<i>Sinking Fund.</i> <i>Sept. 30th, 1875.</i>		<i>Balance.</i>
General Fund...	\$ 3,119,526 40	..	\$ 3,029,605 70	..	\$ 89,920 70
Contingent .....	68,000 00	..	36,677 64	..	31,322 36
Canal.....	10,086,660 00	..	1,448,345 51	..	8,638,314 49
Bounty .....	15,054,500 00	..	9,066,753 29	..	5,987,746 71
Total .....	\$ 28,328,686 40		\$ 13,581,382 14		\$ 14,747,304 26

On the subject of taxation, State and Federal, the Governor submits the following statement, which is certainly a startling one:

"The extravagance of our governmental consumption is illustrated by a comparison of the public expenditures in 1870, five years after the close of the war, with those of 1860 and 1850:

## TAXES IN THE UNITED STATES.

	<i>1850.</i> <i>Gold.</i>		<i>1860.</i> <i>Gold.</i>		<i>1870.</i> <i>Currency.</i>
Federal .....	\$ 40,000,000	..	\$ 60,010,112	..	\$ 450,000,000
State, County, City and Town .....	43,000,000	..	94,186,746	..	280,591,521
	\$ 83,000,000		\$ 154,196,858		\$ 730,591,521
Population .....	23,191,876	..	31,443,321	..	38,553,371

## TAXES PER HEAD.

Federal .....	\$ 1 72	..	\$ 1 91	..	\$ 11 67
Local .....	1 85	..	2 99	..	7 24
	\$ 3 57		\$ 4 90		\$ 18 91

"The aggregate Federal taxation of the eleven years now closing, computed in currency, from the official statements, is more than \$4,500,000,000. The local taxation, assuming the



census statement for 1870 as an average, is more than \$3,000,000,000. The aggregate taxation exceeds \$7,500,000,000.

"The daily wants of the masses of mankind, even in the most productive and prosperous countries, press closely upon their daily earnings. It is only a small portion of their current income which they are able to save and to accumulate.

"In Great Britain and Ireland, despite the wealth which these people have long been storing up, especially in machinery and moneyed capital; despite the yearly influx of one hundred and fifty millions of dollars from interest on investments in other countries, the annual growth of wealth from the savings of all their people is not deemed by the best authorities to exceed six or seven hundred million dollars.

"The accumulated wealth of the United States is the result of a shorter period of growth, and is less in amount. We have to pay to foreign creditors annually, in coin, more than \$100,000,000. We are richer in the natural powers of the soil; and our labor is, on the whole, more efficient. We earn more, but have less disposition to save, and less of the habit of saving."

We give below, those portions of the message which set forth the condition of the banking interests of the State:

#### BANKS.

Eighty-four banks were doing business under the laws of this State on the first of October last. Eight banks organized and commenced business during the fiscal year ending October 1st. During the same time one bank failed and three were converted into National Banks.

Circulating notes, to the amount of \$9,314 were destroyed by the Bank Department, and forty-four banks were credited with lost circulation during the year to the amount of \$246,649, the time for redeeming the same, after the usual legal notice, having expired. The amount of circulation outstanding was, on the first day of October last, \$849,226.50. Of this amount the sum of \$218,528 was received by deposits of cash, stocks, or stocks and mortgages. The balance, \$630,698.50, is not secured, it having been issued by banks chartered previous to the passage of the Free Banking law. There remain but twenty-three of these banks that have not taken steps to finally redeem their notes.

#### SAVINGS BANKS.

There were one hundred and sixty Savings Banks on the first day of July last. Of these, five were in process of closing their business. Five have since closed, three by reason of insolvency. The new general law for the regulation of Savings Banks does not require them to report in July, as they have formerly done. The aggregate of assets of these institutions, as appeared from informal reports made to the Bank Department for the first of July last, was \$336,308,236.43. Their deposits amounted to \$316,335,617.82, belonging to 891,992 depositors, as represented

by the number of open accounts on that date. The increase in deposits during the six months ending July 1 last, was upwards of twelve millions of dollars, and the number of depositors, or open accounts increased, during the same time, 19,494. The total increase in deposits during the year 1874 was \$18,415,564, and in the number of depositors, 33,026. The aggregate of assets, as shown above for July last was not made up in the same manner as that for January 1 last; therefore such aggregate cannot be used for the purposes of comparison. The estimated amount of such assets on the first of July last, may, however, be stated at three hundred and forty millions of dollars.

Frequent reports by these institutions should be required. The provisions regulating the character of their investments should be revised with a view to secure greater safety. New guards should be instituted against the tendency of administration to fall into the favoritism towards the officers sure to prove dangerous to the trust; and it should be inquired, in view of the recent and numerous failures, what defects may be shown to exist in the present law, and whether further penalties in respect to maladministration can be provided.

#### TRUST, LOAN AND INDEMNITY COMPANIES.

There were eleven Trust, Loan and Indemnity Companies reporting to the Bank Department July 1 last, one having closed its business during the year preceding. A new Trust Company began business September 1, 1875, whose capital is not included in the summary. The aggregate capital of these corporations paid in, as shown by their reports, was \$11,584,475. The total amount of their assets was \$69,654,948, and the amount due from them to their depositors was \$50,365,569.

The estimated amount of assets held July 1 by Banks, Savings Banks, Trust, Loan and Indemnity Companies, was \$520,000,000. The amount due to their depositors was, approximately, \$432,000,000; and their profits, including surplus fund, may be estimated at \$39,000,000.

---

THE MONETARY PROSPECTS OF TURKEY are set forth as follows by the correspondent at Pera of the *London Times*: "It is impossible to entertain any hope about the restoration of the Turkish finances. With a revenue not exceeding £22,000,000, and a deficit for the present year which the Grand Vizier, Mahmoud Pasha, considers underestimated at £5,000,000; with a debt raised in twenty years to £184,981,783, involving a charge of £14,869,240—that is, absorbing considerably more than half the revenue—the State has now to bear a war expenditure which certainly exceeds £20,000, and probably reaches £30,000, daily, though the troops in Herzegovina receive no pay, and are said to be ill-fed and ill-clad. A debt of £4,000,000 carried over to next year's account, with 18 per cent. interest; the remission of arrears and of the additional fourth to the tithes, to which the present Grand Vizier has bound himself; the 5 per cent. interest to be paid for the retention of the half coupon, the debts of most of the provinces, the falling off of the revenue of the revolted districts, and unforeseen expenses, must more than absorb the £7,000,000 of which the Turkish Government has already defrauded its home and foreign creditors."

## BANKING AND SPECULATION IN RUSSIA.

The course of financial events in Russia has, for several months past, been watched with no little interest by thoughtful observers. On the 23d of October the failure of the Commerce and Loan Bank of Moscow, which had been involved in the disasters of Dr. Strousberg, the bankrupt railway king, gave a severe shock to the confidence of the mercantile community. By the timely interposition of the Government, the crisis which seemed imminent was stayed for the time, and if the banking business of that country had of late been conducted upon a uniformly safe and conservative basis, it is possible that no serious disaster would have followed. But the rapid growth of banking in Eastern Europe in the last ten years, in which Russia has participated, makes it altogether likely that a considerable amount of unsound business has been done, which nothing short of a commercial crisis will sift out. Such was the experience of Austria, when the crisis of 1873 pricked the bubble of bank inflation, causing a collapse, as usual, more sudden than the previous expansion. The threatened catastrophe has therefore only been delayed. At the time of the Strousberg crisis there was great distress in Southern Russia, in consequence of the low price of wheat and the bad harvest. These difficulties appear now to have assumed a more aggravated form.

The London *Times*, in its financial article of January 4th, has the following account of this more recent development of the Russian crisis:

"It seems, from recent articles in the *Moscow Gazette*, that great stagnation prevails in the grain trade in Southern Russia. Russian agriculture and commerce are threatened with a collapse. Chief among the causes is the keen competition of America. Since the civil war in that country, the British import of American wheat has increased until it stands now where the Russian importation stood in 1867. Then Russia sent out forty-four hundredths of her total imports, and the United States only fourteen. In 1873 the United States sent out forty-four hundredths, and Russia only twenty-one. This does not represent a decrease to that extent of Russia's total exports; on the contrary, they have slightly increased, but America's have increased much faster.

"The causes are declared chiefly to be America's superior transit advantages, her virgin soil, and her more scientific agriculture. The *Gazette*, therefore, urges the Russian agriculturists to incorporate new lands, use better appliances and more skill, but says that cheaper inland transportation is the chief need.

"The *Gazette's* Odessa correspondent writes that the oldest inhabitants declare that Odessa was never at such a stand-still

since its foundation. No transactions are effected, and bankruptcy follows bankruptcy. Houses have fallen to thirty-hundredths of their value, and wheat is lying in the store-houses. Repeated failures of the crops in the southern districts of Russia are partly the cause of the difficulty. The *Gazette*, however, says the condition of affairs is largely influenced by the misplaced activity of private banking-houses, which made credit absurdly easy and cheap, which occasioned a storm of feverish speculation, and created ephemeral undertakings. Now, forced to curtail credits, they have reduced to the most awkward position many who thought such a state of things would last forever."

The Bank Law of Russia is said to be very stringent in its limitations of the amount of advances, the nature of the securities to be taken, the publication of accounts and the like; but no banking legislation, however excellent in itself, can guard entirely against unsound banking, and it would appear that these provisions have fallen short of accomplishing the objects aimed at. A large proportion of the Russian bankers must have been in the business too short a time to acquire that thorough mastery of it which is the result only of long experience, and the mismanagement which has brought on the present crisis is a natural result.

In regard to the recent development of banking in Russia, which becomes especially interesting in view of the foregoing facts, we have some information which has appeared in the London *Economist* since the publication of our late article on "Russian Financial and Industrial Progress," which will serve as a supplement to the information contained in that article. The capital of the Imperial Bank is given as about 22,000,000 roubles, equal to \$14,300,000 in gold, reckoning the paper rouble at 65 cents. The note issue on the 1st of January, 1875, amounted to 797,313,480 roubles, or \$518,253,762, against 763,869,451 January 1st, 1873, an increase in two years of 33,444,029 roubles. The cash in the issue department on the 1st of January, 1875, was 229,398,372 roubles, against 195,954,343 two years previous, the increase being exactly the same as in the note issues. The liabilities on deposit and account current were, by the latest reports (of which the date is not given), about 217,500,000 roubles, or \$141,375,000, against which there was a reserve, mainly of notes, in the "banking department," amounting to about 45,000,000 roubles, or \$29,250,000. The discounts and advances amounted to about 82,500,000 roubles, or \$53,625,000. There are besides about forty joint-stock banks receiving money on deposit and account current, and making commercial advances. These banks have all grown up within the last ten or twelve years. The bank law under which they are organized was only passed in 1857, and the first bank was established under it in 1864. Some of these make most of their advances from their own capital, their deposits being inconsiderable, but with a majority of them it is otherwise. The following is a summary of the condition of these banks August 13, 1873, as published in the

*Economist*, which, though now more than two years old, is the latest account that has yet come to hand :

LIABILITIES.		
	<i>Roubles.</i>	<i>Dollars (gold).</i>
Capital.....	95,800,000	62,270,000
Reserve (surplus).....	3,000,000	1,950,000
Deposits for a specified or unlimited time.....	169,600,000	110,240,000
Current accounts.....	137,000,000	89,050,000
Due to branches, correspondents and others..	73,300,000	47,645,000
Acceptances.....	14,800,000	9,620,000
Interest and commissions.....	17,000,000	11,050,000
Dividends payable.....	100,000	65,000
Re-discounts and re-pledging.....	13,600,000	8,840,000
Floating accounts, goods and bills in commission and in transit.....	8,100,000	5,265,000
Total .....	*522,600,000	*339,690,000
ASSETS.		
	<i>Roubles.</i>	<i>Dollars (gold)</i>
Cash .....	8,300,000	5,395,000
Balance of banks at State Bank.....	71,300,000	46,345,000
Russian and foreign bills discounted.....	210,200,000	136,630,000
Advances, &c.....	116,700,000	75,855,000
Interest-bearing securities, the property of the banks.....	22,400,000	14,560,000
Due by branches, correspondents and others..	85,800,000	55,770,000
Cost of working.....	2,500,000	1,625,000
Interest paid.....	2,500,000	1,625,000
Protested bills and floating accounts.....	1,100,000	715,000
Houses, furniture of banks, &c.....	1,800,000	1,170,000
Total.....	522,600,000	339,690,000

The total of their liabilities on deposit and account current amounted to 306,600,000 roubles, or \$199,290,000, making with the similar liabilities of the Imperial Bank, 524,100,000 roubles, or \$330,665,000 of banking deposits, being nearly half as large as the banking deposits of the United States. Their discounts and advances amounted to 326,600,000 roubles, or \$212,290,000, making with those of the Imperial Bank 409,100,000 roubles, or \$265,915,000, for the Empire. The large relative amount of the deposits is quite remarkable from the contrast it shows with the state of banking in most, if not all, of the Continental States of Europe. Thus, in the Bank of France, the deposits (including those of the Government) are but little more than two-thirds the discounts, and one-fifth of the circulation. The leading banks of the other Continental capitals have even a smaller amount of deposits in proportion to their discounts and circulation. Their capital and circulation furnish them the principal means of making discounts and advances. In Russia, on the other hand, the deposits exceed the discounts and advances. The most obvious reason that suggests itself for this peculiarity is that Russia is much less exposed to those dangers of revolution and invasion which have restricted the growth of deposit banking in other Continental States.

\* For some unexplained reason these totals do not correspond with the footings of the items given above, which amount to 532,300,000 roubles and \$345,995,000 respectively.

## A CENTURY OF FINANCE IN THE UNITED STATES

BY J. S. GIBBONS.

*(Continued from January Number.)*

## FOURTH PERIOD—1816 to 1836.

DALLAS, CRAWFORD, RUSH, INGHAM, McLANE, DUANE, TANEY, WOODBURY—*The Second Bank of the United States—Financial Crisis of 1818—Congress orders a special inquiry into the proposal of substituting paper for specie as a standard of value—Secretary Crawford's adverse report—President Jackson's attack on the Bank of the United States, and beginning of "the Bank War"—Congress orders an investigation into the condition of the Bank, and passes a vote of confidence in it—Secretary McLane recommends an immediate renewal of the Charter, without waiting for the application of the stockholders—Secretaries Ingham, McLane and Duane successively refuse to obey the President, who transfers McLane to the State Department and appoints Taney, who effects the removal of the deposits—The second trial of the Local Bank system of revenue management—Extinction of the National debt—Financial Crisis of 1836-7—Distribution of surplus revenue to the several States.*

No period of our financial history presents a greater diversity of incongruous plans and theories than that embraced by the Treasury administration under the Secretaries whose names appear at the head of this section.

The first bill incorporating the Second Bank of the United States was defeated by the veto of President Madison, who, however, premised his objections by "waiving the constitutional authority of Congress as being precluded (in his opinion) by repeated recognitions of the validity of such an institution, in acts of the legislative, executive and judicial branches of the Government." But a second bill drawn by Mr. Dallas, obviating his objections, received his assent and became a law, as heretofore stated.

Mr. Dallas was succeeded in the Treasury by William H. Crawford of Georgia, to whose able report on the currency, presented to Congress in February, 1820, the reader is referred for many luminous details on that subject, which the limits of this article necessarily exclude. The amount of bank capital organized under State charters from 1814 to 1817, and the progressive increase thereof, is shown by the following official table:

## CRAWFORD'S REPORT.

<i>Year.</i>	<i>Banks.</i>	<i>Capital.</i>
1814.....	200	\$ 80,378,504
1815.....	208	88,185,823
1816.....	246	89,380,707
1817.....	about 250	90,676,446

Adding to the last the capital of the Bank of the United States, gives as the total of banking capital in 1817, \$125,676,446.

In the year 1818 was developed a period of general financial

distress and business prostration, consequent chiefly on the fact that the capital of the State banks which were organized between 1811 and 1817 was to a great extent fictitious, and on this basis was erected a superstructure of credit which, with the currency put forth on the same insufficient foundation, prepared the way for a crisis, which a committee of the Pennsylvania Legislature declared was "unexampled since the period of the Revolution." The phenomena of this crisis were summarized by Mr. Condé Raguet, *President of the Chamber of Commerce of Philadelphia, and late chargé d'affaires of the United States to Brazil*, as follows: 1—Ruinous sacrifices of landed property, under Sheriff's sale. 2—Forced sales of merchandise, household goods, farming stock and utensils. 3—Bankruptcies among the agricultural, manufacturing and commercial classes. 4—General scarcity of money, and inability to borrow even on landed property. 5—General suspension of labor. 6—An almost entire cessation of the usual circulation of commodities, business limited to the mere purchase of the necessaries of life. 7—Universal suspension of all large manufacturing operations. 8—Usurious extortions, whereby corporations instituted for banking, insurance, &c., possess themselves of the products of industry, without granting an equivalent. 9—The overflowing of our prisons with insolvent debtors. 10—Numerous lawsuits. 11—Losses by depreciation of values. 12—General inability to pay debts, even for family expenses, &c.

The Secretary of the Treasury made a report to Congress, at nearly the same date (February 12, 1820), confirmatory of these statements. "Poverty and distress," he said, "are impending over the heads of most of those who have attempted to improve their farms by the aid of bank credits. So general is this distress, that the principal of the State Legislatures where the evil exists is at this moment directed to the adoption of measures calculated to rescue their fellow-citizens from the inevitable effects of their own indiscretion." In the same document, the Secretary exonerated the Bank of the United States from charges preferred against it in Congress—that it was in any degree responsible for the commercial distress which arose from the transfer of the public funds, or by the depreciation of the local currencies. He was instructed by Congress to propose "such measures as in his opinion might be expedient to procure and retain a sufficient quantity of gold and silver coin in the United States, or to supply a circulating medium in place of specie, adapted to the exigencies of the country and within the power of the Government."

Thus was made in 1820 a special point of Congressional inquiry, the very question that in 1876 agitates the country, and divides it into two great parties, showing either or both of two things, viz.: that the experience of more than half a century has not improved the quality of opinion on the subject of currency, or that those who agitate the matter are ignorant of the fact that it has ever before been acted upon by Congress, and that in their hands it is an original proposition, on which depends the material prosperity of the country for all future time!

Secretary Crawford embodied the proposition in the following shape:

*"Whether it is practicable to devise a system by which a paper currency may be employed as the standard of value, with sufficient security against variations in its value, and with the same certainty of its recovering that value, when from any cause such variations shall have been produced."*

Mr. Crawford reported that to insure the possibility of establishing such a currency, it was necessary:

1. That the power of the Government over the currency be absolutely sovereign.
2. That its stability be above suspicion.
3. That its justice, morality and intelligence be unquestionable.
4. That the issue of the currency be made not only to depend on the demand for it, but that an equivalent be actually received.
5. That an equivalent can only be found in the delivery of an equal amount of gold or silver, or of public stock.
6. That whenever from any cause it may become redundant, it may be funded at an interest a fraction below that which was surrendered at its issue.

After an exhaustive analysis of these propositions, severally, the Secretary announced his conclusion in substance as follows:

"Coinage and the regulation of money have, in all nations, been considered one of the highest acts of sovereignty. It may well be doubted, however, whether a sovereign power over the coinage necessarily gives the right to establish a paper currency.

\* \* A metallic currency, having an intrinsic value, independent of that which is given to it by the sovereign authority, does not depend upon the stability of the Government for its value. Revolutions may arise; insurrections may menace the existence of the Government; a metallic currency rises in value under such circumstances. Not so with a paper currency. Its credit depends in a great degree upon the confidence reposed in the stability of the authority by which it was issued. Should that authority be overthrown by foreign force or intestine commotion, an immediate depreciation, if not an absolute annihilation, of its value would ensue. \* \* Millions may be issued in a few days, and deficiencies in the revenue promptly supplied, if the condition of receiving an equivalent is abandoned. The moment the currency shall be issued as a financial resource, depreciation will follow, and all the relations of society will be disturbed."

The likeness of circumstances in 1819 and 1875, respecting the state of the currency and the expedient proposed to correct redundancy and deficiency, by means of an "inter-convertible bond," suggests something beyond mere coincidence. The concurrence of argument and opinion following the fact presents a close parallel of repetition at every step. It stamps the history of finance with the impress of a governing law, and it introduces certainty where before there seemed nothing but chance and experiment.

The financial disorders which began in 1818 reached their height, and began to subside, in 1820. Mr. Crawford was suc-



ceeded in the Treasury by the Hon. Richard Rush of Pennsylvania, who gives the following picture of the state of commerce subsequently to that date:

"No term of eight years since the establishment of the Government was so exempt from the influence of external events that disturb the regular operations of National industry and commerce as the term ending with 1828." In the Secretary's official report of December 6 of that year will be found a retrospective view of the state of the currency, before and after the establishment of the Bank of the United States, sustaining the views already presented by Mr. Crawford concerning the healthful influences of the institution over the general affairs of trade: "It received the paper of the State banks paid on public account, and, by placing it to the credit of the United States as cash, rendered it available wherever the public service required." This was in effect to guarantee the local currency on the footing of par in gold or silver.

Mr. Rush was succeeded by the Hon. Samuel D. Ingham of Pennsylvania, who was appointed Secretary of the Treasury March 6, 1829, and was himself succeeded by the Hon. Louis McLane of Delaware in August, 1831. This interval was signalized by the origin of what was called "the bank war," the first note of which was sounded by President Jackson in his message to Congress of December 8, 1829.

"The Charter of the Bank of the United States," said the President, "expires in 1836, and its stockholders will most probably apply for a renewal of their privileges. \* \* Both the constitutionality and the expediency of the law creating this bank are well questioned by a large portion of our fellow-citizens; and it must be admitted by all that it has failed in the great end of establishing a uniform and sound currency." As less than two-thirds of the Charter term of the institution had expired, and no apparent emergency invited the present agitation of the question, there was room for apprehension in commercial circles that another period of financial disturbance was suspended over the country; and a repetition of the attack by the President in the annual messages of 1830 and 1831, removed all doubt in the public mind of his determination to force the bank into liquidation. All the elements of a fierce "financial war" were made apparent. The Cabinet was not harmonious on the subject. The Secretary of the Treasury was openly opposed to the President. On the very next day after the last named message was delivered to Congress he presented his report for the year, in which he declared his conviction that the Bank was "a necessary part of the plans for the improvement and management of the revenue, and for the support of public credit." He urged upon Congress an immediate renewal of its charter, without waiting for the application of the stockholders. To appreciate the consequences that must follow an attack on such an institution, with the manifest purpose of forcing the liquidation of its investments, it requires only that the volume of those investments be regarded, and a conception formed of the

wide-spread dismay that must penetrate every house of business, and every domestic household in the country, whose means of support and happiness were derived from commercial or manufacturing employments! Nor could the humbler occupations of labor, with its millions of dependents for daily bread, be indifferent to the threatening blow.

The loans of the Bank amounted to \$ 66,292,707. This prodigious mass of credit was to be torn up by the roots, and thrown out upon the uncertain ocean of chance to seek re-investment. Congress became alarmed at the possible consequences of such an event, and, with the hope of putting an end to the controversy, passed a bill in both Houses renewing the Bank Charter. But the measure was defeated by the veto of the President. The quadrennial election occurred the same year, and resulted in the choice of President Jackson by an overwhelming majority, which was regarded as a popular indorsement of his financial policy. The Secretary of the Treasury, in his report of December 5, 1832, advised Congress that doubts were entertained in some quarters of the safety of the Bank as a depository of the public revenues, and that, in consequence, he had appointed agents to examine into its condition. The President's message of the same date expressed similar doubts, and indicated the propriety of *removing the deposits*. A committee of investigation was appointed by Congress, and on the two reports, together with the statement of the Bank Directors, the House of Representatives declared, by a vote of 109 to 40, that the public deposits might safely be continued in the institution. The three examinations agreed so closely as to exclude all possibility of collusion or error. The Hon. Gulian C. Verplanck of New York, Chairman of the Congressional Committee, stated in his report that they "had examined the report of the Treasury agent, and also the Directors of the Bank under oath, and that it appeared that on January 1st, 1832, the Bank had \$ 80,866,000 of available resources, and that its liabilities amounted to only \$ 37,800,000."

After this report was rendered, and after the vote of confidence by Congress, Secretary McLane expressed his final determination to take no part in changing the custody of the public revenues. Whereupon the President transferred him to the State Department, to make room for a more pliable officer; but his successor, the Hon. William J. Duane of Pennsylvania, proved even less tractable. He declared his unwillingness to act in the matter without reasons that would justify him in the eye of the law. The President summoned a special meeting of the Cabinet for consultation, with no better result. He then announced that he would assume the responsibility of issuing a mandatory order of removal, which he expected the Secretary to obey. But that officer, like his predecessor, deeming the proposed action of the President illegal, would neither execute the order nor voluntarily retire from the office. The President had no alternative but to remove him by an arbitrary dismissal; and he appointed in his stead the Hon.

Roger B. Taney, whose opinions were known to coincide with those of the President, and by whom the removal of the deposits was executed in October, 1833.

The removal of the deposits from the custody of the National institution, not only involved a change in the fiscal policy of the Government, but it opened an era of bitter political controversy, to which, unhappily, the commercial and industrial interests of the entire nation became subjected. The act was characterized as "the first *provocatio ad populum*—the first appeal from the Government to the Union, that invited the people to think and reflect on financial monopolies, and on the condition of their banks and the modern practice of banking."

That a problem which demands for its solution a knowledge of scientific principles, joined to practical abilities of an exceptional kind, should be cast upon the waves of popular commotion, was no proof of the fitness of the people to deal with such questions. The period was one of intense agitation on the subject of corporate monopolies, and it was easy to persuade the voting multitude that a great institution from which they derived no sensible gain was injurious to the many while inuring to the advantage of the few, though it might cover the whole country with its beneficent influences. It was therefore but little, if anything, else than an appeal to the political passions of the time, which burned with extreme ardor. But it proved sufficient in the hands of skillful leaders to fasten upon the country a financial policy which has been maintained for nearly half a century, in spite of its manifest inadequacy to meet the commercial wants of the country, or to prevent the frequent recurrence of periods of panic and insolvency. The grounds of this abnormal departure from a system which had answered all the requirements of successful commerce from 1791 to 1811, and from 1816 to 1836, are fully set forth in a paper addressed to Congress by Secretary Taney, December 3d, 1833, and in a letter of the same to the Committee of Ways and Means of the House of Representatives, April 15th, 1834. Mr. Taney virtually waived the question of legality by declaring that, "as the Secretary of the Treasury presides over one of the executive departments of the Government, and his power over the subject forms a part of the executive duties of his office, the manner in which it is exercised must be subject to the supervision of the officer to whom the Constitution has confided the whole executive power, and has required that the laws be faithfully executed. \* \* The language of the law," said Mr. Taney, "and the usage of the Government, establish the following principles: 1. That the power of removal was intended to be reserved exclusively to the Secretary of the Treasury, and that (even) Congress could not direct it to be done. 2. That the power reserved to the Secretary does not depend for its exercise merely on the safety of the public money in the bank, nor upon the fidelity with which it has conducted itself."

An Act of Congress authorized the Secretary of the Treasury to select as many of the local banks as were necessary in his

judgment for the efficient performance of the fiscal service. These were twenty-nine in number. The amount of deposits transferred to them (October, 1833) was \$11,000,000. With this came to an end the service of a National Bank as the fiscal agent of the Government; and began the second trial of the local banks, or the "deposit system," as it was called, in distinction from that of the National institution. It is a striking fact that while the Treasury officers were apprehensive that the Bank of the United States was an unsafe depository for \$11,000,000, with available resources of \$42,000,000 above all its liabilities, they expressed no such apprehension, when, on November 1, 1836, the Treasury balances rose to \$49,377,985, in banks which were carrying \$182,000,000 of loans on an aggregate capital of \$77,576,449. Nor is any comment needed on the fact that these deposit banks fell in default to the Government within a single year; and that the Solicitor of the Treasury refrained from legal process against them, only because he feared that by such a course heavy losses would be entailed on the Government. In short, the "deposit system" proved not only a failure but a fraud. President Jackson wrote from his retirement at the *Hermitage*, in 1837: "The history of the world never has recorded such base treachery and perfidy as has been committed by the deposit banks against the Government."

Mr. Taney being transferred to the bench of the Supreme Court, Levi Woodbury of New Hampshire was appointed Secretary of the Treasury, June 27th, 1834.

The immediate consequence of the "war" on the Bank of the United States was the incorporation by the several State Legislatures of local banks to fill the place of the capital that was expected to be withdrawn. In the ten years from 1820 to 1830, twenty-two new banks were organized, with an aggregate capital of \$8,000,000, and a paper circulation of \$16,500,000; which, probably, was no more than keeping at even pace with the development of our national resources, and the increase of business. In the seven years following (1830-1837), 304 new banks sprung into existence, with an aggregate capital of \$145,000,000, and a paper circulation of \$89,000,000. The mass of bank loans increased during the same period from \$200,000,000 to \$525,000,000. The Bank of the United States, instead of going into liquidation, bought a charter from the State of Pennsylvania, and maintained its proportion in the general swell of credit.

The revenues from duties on foreign merchandise and from the sale of public lands so increased in the several years following 1830, that the Secretary of the Treasury, in view of the liquidation of the public debt, gave notice (1833) that interest on all outstanding obligations of the Government would cease on the first of January, 1834; and President Jackson, in his message of December 7, 1835, made the following gratifying announcement:

"All the remains of the public debt have been redeemed. \* \* All the other pecuniary obligations of the Government have been

honorably fulfilled, and there will be a balance in the Treasury at the close of the present year, of about \$19,000,000."

The expansion of credit consequent on the increase of bank capital, as already stated, began to be a source of uneasiness. Within three years the loans had risen from \$200,000,000 to \$365,000,000, and the paper circulation from \$61,000,000 to \$104,000,000. This alarming swell of credit could lead to but one issue. It was founded principally on the rapid increase of the Treasury balances after the depletions by payment of the public debt came to an end. Those balances were still further enlarged by sales of the public lands, in which an unusual speculation began in 1830. The receipts from this source had averaged for a long time but little over \$1,000,000 a year. In 1830 they rose to \$2,000,000, and in 1831 to \$3,000,000. In 1834 they were \$5,000,000; in 1835, \$15,000,000; and in 1836, \$25,000,000. This extraordinary movement threatened to defeat the beneficent policy of the Government, which allowed sections of land to be taken up by actual settlers, whereby the public domain would become productive. It was especially designed, also, to favor emigration from foreign countries, men and families being the true source of National wealth. The number of emigrants sailing from Liverpool alone at this period was 10,000 a month. It was computed by British authorities that American ship-owners received at least two-thirds of the passage money, and that each emigrant brought £15, making an annual gain to the country of \$10,000,000 in specie from this source alone.

To check the speculation, President Jackson caused an order to issue from the Treasury Department prohibiting the receipt of anything but gold and silver coin in payment of lands sold. The immediate effect was to deplete the banks of the commercial cities of their specie, and to stagnate it in the Western depositories, its transportation being at that time both difficult and dangerous. This process soon weakened the Eastern banks, which were obliged to withstand, also, the drain for foreign shipment. That the order of the President was salutary, so far as it checked the purchase of lands for mere speculation, could not be denied; but it led to a new extension of credit by the banks where the specie was deposited, and constituted a basis on which new banks were organized still further to inflate the volume. The following extract from the message of the President to Congress, December 6, 1836, accurately describes the process:

"From the returns made by the various Registers and Receivers in the early part of last summer, it was perceived that the receipts arising from the sales of the public lands were increasing in an unprecedented manner. In effect, however, these receipts amounted to nothing more than credits in bank. The banks lent out their notes to speculators; they were paid to the Receivers, and immediately returned to the banks to be lent out again and again, being mere instruments to transfer to speculators the most valuable public lands, and to pay the Government by a credit on the books of the banks. \* \* Each speculation furnished means for

another, \* \* and the banks were extending their business and their issues so largely as to alarm considerate men, and render it doubtful whether these bank credits, if permitted to accumulate, would ultimately be of the least value to the Government."

There was yet another source from which the banks derived the means for an extension of their credit. The accumulation of the revenues was much beyond the wants of the Government. The extraordinary spectacle was presented of a great nation free from debt, and with a large surplus on hand for which it had no use. What to do with it was the troublesome question. A still more extraordinary spectacle was witnessed, of a *Government returning taxes to the people*. Congress passed an act June 23, 1836, to re-distribute to the States, in the proportion of their representation, all excess above \$5,000,000 that might be in the Treasury on the first of January, 1837, the same to be repaid on the call of Congress, for any future needs of the Government. The distribution was to be made in four quarter-yearly installments. Three of these installments were duly paid over to the States; but the accession of a commercial crisis caused such a falling off in the revenues that the Treasury was left without means to pay the fourth installment, which was postponed by act of Congress, October 2, 1837. No subsequent action was taken on the subject. The whole sum voted for distribution was \$37,468,860. The amount actually distributed was \$28,101,644, being three-fourths of the total, less the apportionment to Virginia, whose Legislature declined to share in what it declared by vote to be an unconstitutional act.\* Although the act of Congress provided for the contingent return of the money to the National Treasury, it is not likely ever to be reclaimed.

---

**LIGHT SOVEREIGNS.**—The Bank of England clips every light sovereign that comes into the Bank. The weighing of every sovereign is accomplished quickly; they weigh 3,000 in an hour with one machine. Mr. Palmer, the Deputy-Governor, informed the House of Commons Select Committee of last session on banks of issue, that last year the Bank of England weighed coin to the amount of £23,100,000, and rejected £840,000, or about 3·6 per cent., as being light gold. For this last amount the Bank paid the value, making a deduction for the deficiency of weight, which is generally about 3d. or 4d. per light sovereign. It was stated to the committee that boxes of correctly weighed gold sent by the Bank of England to Scotland, frequently came back without having been opened, and Mr. Palmer stated that there is then some reduction for light weight. He explained this by adding that the mere shaking of the sovereigns on the journey will make a slight difference. There is a point at which every sovereign becomes light, and many sovereigns turn that point on the journey. Mr. Hodgson, M. P., a bank director, stated that in a box of 5,000 sovereigns the number which would be found to have turned the point would generally be about eight if they have not been disturbed; and he added: "You are aware that the sovereign which is in your pocket at 8 o'clock in the morning is not the same sovereign at 12 o'clock at night." After this rather alarming announcement it is satisfactory to find Mr. Hodgson stating also that the charge for light weight on the eight deficient sovereigns would be about 2d. per coin, making only 16d. on the box of £5,000; so that, says he, "it really amounts to nothing."—*London Times*.

\* The "reconstructed" State, since the Rebellion, having no such objections, has since applied for and received its share.

## INTERNATIONAL FINANCIAL LAW.

## RESPONSIBILITY FOR WRONG PAYMENT OF DRAFTS BY ENGLISH BANKERS—CROSSED CHECKS.

*To the Editor of the Banker's Magazine :*

In the letter from London to Messrs. Neher & Calder of Troy, N. Y., which was published in the December number of your Magazine, I took the ground that English bankers were not responsible for payments of demand bills to the wrong person. The question has since been prominently discussed as to how American bankers can protect themselves. The device to which my attention has been called, and which has been suggested by parties in London, will not work well, I apprehend. I refer to the device of using what are known in England as "crossed checks."

By reference to the great work of *Byles on Bills* [6th Am. Ed. § 22], it will be found that it has long been the custom in London and throughout England to write across the face of a check the name of a banker, the design being to direct the drawees to pay the check only to the banker whose name was written across. The object has been to invalidate the payment to a wrongful holder in case of loss. But the effect at common law was simply to direct the drawees to pay the check, not to any particular banker, but only to *some* banker, and not to restrict its negotiability. The statute of 19 and 20 Vict., c. 25, enacted that in every case where a draft on any banker, made payable to bearer or to order on demand, bears across its face an addition of the name of any banker, or of the words "and company," in full or abbreviated, either of such additions shall have the force of a direction to the banker that it is to be paid only to or through some banker, and the same shall be payable only to or through some banker.

Under that statute, a payment of such a check otherwise than through some banker was, at one time, thought to be invalid. But it was held in *Simmons v. Taylor*, 27 L. J. 45; 4 C. B. N. S. 463, that the crossing was no part of the check; that its obliteration was not a forgery, and that the payment, without negligence, of a check, the crossing of which had been obliterated, to a holder not a banker, was a good payment.

A further statute was passed after the decision in *Simmons v. Taylor*, viz.: the statute of 21 and 22 Vict. c. 79, §§ 1-3, making the crossing a part of the check, and the fraudulent obliteration or alteration of the crossing, a felony. This statute, however, allows the lawful holder to cross a check, and, on a check already crossed with the letters "& Co.," to prefix the name of any banker. But if the check is crossed with the name of a particular banker, it is made payable only through that banker.

It was thought that this statute had settled the matter pretty thoroughly. But a very recent case, *Smith v. Union Bank*, holds that a banker, having paid a check, payable to order to a bank whose name was not in the crossing, was nevertheless exempt from liability to the original holder from whom the check had been stolen. The ground of the decision was that the former holder could not sue, because he had sustained no damage. But how is it with the drawer? If he has paid away the check, sold it, may it not be that it is not he who is damaged, but the holder who has lost it? And unless he can sue, then it is plain that bankers may disregard crossings with impunity, and that the security of crossing amounts to nothing.

The Court, in *Smith v. Union Bank*, intimated that the English statute was only intended for the protection of the drawer. But whether the drawer has any interest in the matter depends upon his relations with the party in whose favor the draft is drawn. If, after the draft is sold by the drawer, the holder loses it, and it is paid to the wrong person, or to any one who has given value for it, the question arises whether the drawer is at all responsible to the holder.

The courts look with disfavor upon statutes restraining, or in any way interfering with the negotiability of checks or drafts. Besides, even admitting that the system of crossing checks protects the drawer, if not the holder, it would be very inconvenient in many cases for the drawer of a foreign draft, an American banker, to enforce his claim, under the English statute, against the English banker, and in English courts. Under the decision in *Smith v. Union Bank* the system of crossing checks is a poor protection; for a draft on English bankers, although crossed, may be stolen or lost, disposed of by the thief or finder, and if the subsequent holder, who gives value for it, presents it at a bank, and it is paid, the original holder has no remedy. The remedy, if any, is with the drawer; and this, in the case of foreign drafts, may be uncertain, troublesome, and expensive.

But there is still another element in the English statute, which must not escape notice. It provides that where a crossing has been so altered or obliterated as not plainly to appear, a wrong payment in consequence, if without fraud or negligence, shall not be questioned. It probably is quite easy to obliterate these crossings, and, in case it is done, there is absolutely no protection to either the drawer or original holder.

The best method doubtless is, as you suggested in your December number, to avoid making *demand* bills or drafts payable in England, and make, instead, bills or drafts payable at one, two or three days after sight. This would at least get rid of some of the effects of the English statute relating to demand bills and notes mentioned in my former letter.

A. P. SPRAGUE.

TROY, N. Y., January 11, 1876.



## THE USURY QUESTION.

[An address before the Bankers' Convention at Saratoga Springs, July 22, 1875, by GEORGE R. GIBSON, Cashier of the Farmers and Merchants' Bank, Mattoon, Illinois.]

I do not invite your attention to a matter of recent or local interest, but to a subject as old as commerce, and as important as old.

Interest on money finds its justification in the rights of property. States and Legislatures, from periods of great antiquity to the present time, have arrogated to themselves the delicate prerogative of fixing what the rate of interest should be in all commercial transactions, and anything taken above the established rate, as compensation for its use, constitutes usury.

If, by an appeal to history and a test in the crucible of common sense, we discover that these laws violate the plainest principles of commercial freedom, which so perfectly regulate values in all other departments of business; that they encourage a strong public disregard of law, with all its concomitant evils, and that they plunder instead of protect the borrower in whose interest they are enacted, we shall at once be able to appreciate the importance of the question to a country which retains these restrictive laws upon the statute books of twenty-nine of her States and two of her Territories.

Usury has a history. Reaching far back in the dim twilight of ancient history, an active discussion was maintained as to whether any interest on money was justifiable, and we find the great Aristotle expounding the economic heresy, that, money being naturally barren, to make it breed money was preposterous and a monstrous perversion from the end of its institution. Much of the prejudice and superstition of the present day on this question is attributable to the false views held by the early Fathers of the Church, and whose absolute sway over the opinions of men enabled them to tincture the sentiments of coming centuries with their wrong conceptions of the nature and functions of money. The churchmen were misled by erroneous interpretations of the Hebrew Scriptures, especially that passage in Deuteronomy: "Thou shalt not loan upon usury to thy brother, usury of victuals or of any thing; unto a stranger thou mayest lend upon usury."

All commentators concur that usury in a Biblical sense means any interest or increase whatsoever, and not necessarily an exorbitant rate. If the taking of interest were wrong *per se*, why was permission expressly granted to take usury from a "stranger?" This was indisputably a municipal and political ordinance of the Jewish people, and not a moral precept of universal obligation. The Jewish lawgiver sought to encourage agricultural pursuits, pre-

vent entangling foreign alliances, *suppress* a commercial and speculative spirit. That the usury law of that time well served its purpose admits of no doubt.

Without occupying your attention by a review of intervening history, and without recording the course of usury legislation elsewhere in Europe, we may direct our minds to England, from whose jurisprudence we directly inherit our Usury laws, and if "history be philosophy teaching by example," may we not hope to derive some valuable lesson from her experience?

The history of that country, as it relates to our subject, divides itself into three epochs: the arbitrary period from Alfred to Henry VIII., the paternal from Henry VIII. to George III., and the commercial from George III. to the present time.

The first epoch, which derived its principles from the communistic spirit of Jewish theocracy, denied that money was entitled to interest, and condemned usury as a heinous offense against God and man. Whipping, exposure in the pillory, forfeiture of lands, chattels, and the rights of Christian burial, were among the penalties of the time. During this period the Jews were banished the realm on account of usurious practices, and as Perrault, a writer of the time, remarks: "By that act Edward killed the goose that laid the golden eggs."

The reign of Henry VIII., during which the "doctrine of loans and interest" was recognized, ushers in the second epoch, which derived its principles from the Justinian code. The spirit of this time denied the ability of a citizen to make a contract, and tacitly assumed that the State should supplement his inability by its guardianship. The third and last period of English history is that of commercial and monetary freedom; Great Britain having during the reign of Victoria removed the restrictions which hampered her commerce in the final abolition of her usury laws. This period of her history is based upon the doctrine that every man is entitled to the free use and disposal of his legal acquisitions. The right of making a contract is a right born with the individual, and is a part of his existence; upon this principle of rights, inherent in the individual, is based the splendid superstructure of republicanism. This view was very ably maintained by a Senator from Missouri, who said: "It is this principle which converts the legislation of centuries into cumbersome rubbish. It is this doctrine which through the slow but sure labor of centuries changed the will of the tyrant into the institutions of freedom for the people of England, and which, in consequence of the arduousness of the task and slowness of the labor, leapt across the Atlantic and founded our republic in the wilds of a new continent."

Step by step England removed the obstructions to her commerce, and freedom was thus evolved out of imperial absolutism. The same act which during the first period was an atrocious crime, became a legitimate occupation during the second, and an honored profession during the third. It is a sad commentary upon our statesmanship that we retain this "relic of barbarism" upon

our statute books, whilst the great commercial nation from which it is derived has most emphatically repudiated it.

The right of money in use to exact interest, though for a long time stoutly denied, is now so universally accepted that it needs not the support of argument. However, many still suppose that the *rate* of interest can be and ought to be fixed and governed by statute. In reply to this it may be said that there are natural commercial laws which control the market value of money, which may be complicated, but never defeated, by any artificial laws.

All political economists of note agree that there are at least three conditions upon which the natural rate of money depends: First, the productiveness of labor; second, the supply and demand of loanable capital; third, the hazard of its employment.

Omitting for the moment all consideration of risk, we find the other two conditions always combine. If in a given place the supply of money is small, but labor is highly productive, the competition for this limited supply may result in a rate higher than the maximum fixed by statute. In this case lenders and borrowers will inevitably evade the law, and the hazard which the lender thus runs in defying the law leads to an additional charge to the borrower as indemnification for such risk.

An illustration of the working of this natural law may be found in the State to which the writer belongs. The comparatively large area of tillable land in the State of Illinois, and its wonderful fertility and productiveness, have conspired to make it, perhaps, the greatest agricultural State in the Union. The relative ease with which abundant harvests are produced; the facility with which immense herds of live stock are fattened, and the wide ramifications of its net work of 6,000 miles of railroads, offering easy transportation, have rendered farming and stock-raising highly profitable. To successfully control these vast interests, more money has been required than the agricultural class possessed, and they went into the market as borrowers, offering their broad acres of rich and valuable land as security. But until this investment, as safe as the solid earth itself, rose in the esteem of Eastern capitalists, the supply of money was inadequate, and rates ranged high—much above the statutory limit. Recently the influx of capital into the State, seeking this substantial security, has made competition among lenders instead of among borrowers, and rates are declining to nine per cent. in the country, and as low as eight per cent in the cities. And the usury laws have had absolutely no effect upon rates in that State. It is folly to suppose, because a certain rate is established by law, that borrowers can necessarily secure money at that rate.

Money to-day is redundant, and cheaper than ever known in the chief monetary centers of Europe and America. Beginning with the American panic of 1873, extending to Vienna and Berlin, and later to London and Paris, there has been a collapse and reconstruction of credits, over-production in manufactures, and

over-speculation in trade. The reaction has come, and profitable fields for the investment of capital with a minimum risk being few, competition ensues and rates decline. Like water freed from confinement, it seeks its own level.

Buckle, in his "History of Civilization," undoubtedly embodies the correct idea: as no prohibition can destroy the natural relation between demand and supply, it has followed that when some want to borrow and others want to lend, both parties are sure to find means of evading a law which interferes with their mutual rights.

If the two parties were left to adjust their own bargains, undisturbed, the usury would depend upon the circumstances of the loan, such as the amount of security and chance of repayment. The law, however, complicates this transaction, and the borrower not only pays the natural risk, but also the risk incurred by the lender in violating the law. The lack of wisdom of the usury laws is revealed in the fact that they have increased what they were designed to destroy; they have compelled men by their imperative necessities to violate the laws, and, to cap the climax, *the penalty of such violation falls upon the borrower*,—that is, upon him whom the State would fondly protect. If such legislation is friendship, a man may well pray to be delivered from his friends. Acts which are so violative of personal freedom, and which so outrage common sense, are seldom obeyed, and they engender a disrespect for law that blunts the moral sense of men, which is of the most demoralizing nature.

The usury law is a cast-iron jacket, entirely incapable of adapting itself to the changing demands upon it, as no commodity is so sensitive to disturbance and fluctuation in the open market as money.

We impeach the makers of these laws as guilty of the grossest inconsistency in fixing a stipulated rate for money, which is an article of commerce as horses are articles of commerce. As well might the law fix a uniform value for all the horses of a country as for money.

These laws ignore the fundamental principle that "compensation should be proportioned to risk." Money differs from other commodities chiefly in its more general purchasing power, and the services of the lender of money are as valuable to society as those of any commercial class, and it is invidious to discriminate against them. The makers of these laws are further inconsistent in assuming to know the necessities and circumstances of each individual better than he himself, and in impairing the obligations of contracts entered into in good faith.

The immortal Locke best expresses our ideas: "Money is a commodity, and is as necessary to trade as food is to human life, and everybody must have it at what rate they can get it, and invariably pay dear for it when it is scarce." You may as naturally hope to set a fixed value on the use of houses or ships as money. Those who will consider things beyond their names, will find that

money, as well as other commodities, is liable to the same change and inequality, and the rate of interest is no more capable of being fixed than the price of land. Though the evils of usury legislation are patent to all men of business experience, yet few States are untrammelled by their exactions.

Massachusetts, forward in all good reforms, has demonstrated the policy of free trade in money, and that the abolition of old laws is often more progressive than the enactment of new ones. The repeal of the usury laws by that State in 1867 has met with universal and unequivocal indorsement by the commercial and borrowing classes of that State. In 1872 4,000 of the largest borrowers among the mercantile establishments of New York petitioned the New York Legislature for the repeal of the usury laws, indicating the sentiment of the borrowing class in our great commercial metropolis.

Let this Convention of Bankers, representing, as it so admirably does, the great and growing interests of our commonwealth, enter its most emphatic protest against these restrictive laws as unwise, unjust, and oppressive.

---

### THE NATIONAL BANKS.

*To the Editor of the Banker's Magazine.*

In the number of your Magazine for November last, you gave me space for a brief reply to a previous article by Mr. Robert Morris, on the subject of the National Banks; and in the succeeding number Mr Morris has noticed some of the minor points of my reply.

One of the points noticed by him is my statement that the local discount upon State Bank notes was, in former days, "often ten per cent. and upward;" in reference to which he says that, with scarcely an exception, the alleged discount of ten per cent. "can apply only to *wild-cat* notes issued by the far off Border States of the South-West." But, with an excess of candor in this instance which largely atones for an apparent want of it in his former article, Mr. Morris then proceeds to give a series of quotations, by which it appears that in Philadelphia, in various years from 1814 to 1841, the notes of State Banks in the city of Boston, and of those in the States of Maine, Western Pennsylvania, Delaware, Maryland, Virginia, the Carolinas, Georgia, Florida, Alabama, Louisiana, Mississippi, Kentucky, Tennessee and Ohio, were at rates of discount varying from two to ten, twenty, forty, and even, in some instances, seventy-five per cent. below their par value. Surely, it cannot be said that these notes were all "*wild-cat*" notes, nor were the States which issued them all "far off Border States of the South-West." In point of fact, two of them are New England States; while more than half of the whole number mentioned are on the Atlantic sea-board, and were, during a great

portion of the period referred to, the heart of the Union. When, therefore, Mr. Morris says it is untrue that the local depreciation of State Bank notes was formerly as much as ten per cent., and then himself furnishes evidence that for extended periods the discount in Philadelphia upon the notes of more than one-half of the then States of the Union very greatly exceeded that rate, further discussion of this point seems to be needless.

In this connection Mr. Morris intimates that it is not an extravagant idea which assumes that State Bank notes, if now permitted to circulate, would be within three per cent. of par in gold; but it is probable that he has a monopoly of this opinion. Why should such be the case? What valid reason is there why the circulating notes of any State Bank which ever existed in this country should to-day be worth more than our present National Bank currency? The security for this currency is the Government itself, and its credit must always be equal, at least, to that of the Government's own issues. Indeed, in one sense its credit should be greater; for by reason of the margin between the amount of Government bonds deposited and of the circulation issued, the bonds might become considerably depreciated, yet the security for the redemption of the notes remain ample. If Mr. Morris means, simply, that notes redeemable in gold are worth more than notes not so redeemable, the statement will not be questioned. But that is not his proposition; and it seems absurd to suppose that any State Bank system ever known could be unaffected by those well-known influences which have for so long depreciated even the issues of the Government itself.

Mr. Morris sees infinite danger to the republican institutions of the country, from the existence therein of 2,200 distinct and widely scattered National organizations, each one governed by its own local board of managers; but he apprehends none whatever from a monster parent bank and branches, greater than the world ever saw, and controlled by one central power. But it is an axiom of political philosophy, at least in a republican form of government, that in proportion as power and control are centralized do they become a source of danger; so that, admitting his fears to be reasonable, it seems clear that the substitution of the colossal institutions which he advocates, in place of the present National Banking system, would only intensify that danger.

But the main point made by me—and which Mr. Morris does not meet—is, that, admitting the worst which may be truthfully said of the National Banking system in regard to its security, stability, and the measure of its financial success, it has not been excelled, nor even approached, in these respects by any other system known to history. Nor is there a promise of superiority in any system yet proposed to supersede it. The National Banks have now been in operation more than a decade, their present liabilities reaching nearly 2,000 millions of dollars; yet the utmost loss resulting during this whole period from all the failures of these institutions is not equal to one per cent. upon this vast amount

of business; while upon the 352 millions of National Bank circulation which have been issued, there has not been, nor can there be, one penny of loss to the holders. In fact, until very recently, the notes of broken National Banks have commanded a premium.\* These results challenge and defy comparison.

The National system has, perhaps, its defects. It may need amendment; and it is of course possible that other systems will yet be devised which shall excel it. But until one be presented which does not contain within itself tenfold more dangers and defects than are alleged against the present system, it surely were better "to bear those ills we have, than fly to others that we know not of."

E. W.

## THE TAXATION OF BANK SURPLUS.

REPORT OF THE COMMITTEE OF BANK OFFICERS OF THE CITY OF  
NEW YORK.

[At a meeting of Bank Officers, held on December 21, 1875, at the Clearing-House, the following report was accepted and unanimously adopted.

It was also voted that the same Committee, with the addition of Mr. George S. Coe, be continued, and requested to take all further necessary steps to secure the best interests of the banks in the vital questions involved.]

The Committee chosen at a meeting of Bank Officers on the 29th of October last, to whom was submitted the entire subject of Bank taxation, beg leave to report:

The latest authority under which States exercise the right to tax National Banks is found in the law of the United States, of February 10th, 1868, which provides that the Legislature of each State may determine and direct the manner and place of taxing all the shares of National Banks located within said State, subject to the restriction that the taxation shall not be at a *greater rate* than is assessed upon any other moneyed capital in the hands of individual citizens of such State.

The New York State Law of 1866 reads as follows: "No tax shall hereafter be assessed upon the capital of any bank or banking association organized under the authority of this State, or of the United States, but the stockholders in such banks, and banking associations, shall be assessed and taxed on the *value* of their shares of stock therein \* \* \* \* but not at a greater rate than is assessed upon other moneyed capital in the hands of individuals in this State."

It is interesting carefully to observe the phraseology of the law of 1866, in order to see if that is not explained by the law of the year

\* For the benefit of foreign readers we explain this fact. Prior to the act of June 22, 1874, the amount of National Bank circulation was limited by certain restrictions. New banks could, therefore only obtain the privilege of issuing notes by purchasing the circulation of other banks.  
—Ed. B. M.

before, in reference to what was intended by the Legislature when it used the phrase—"value of their shares." The law of 1865 provides that "all shares in any banking association organized under this Act, or the Act of Congress, shall be included in the assessment of taxes, but not at a greater rate than is assessed upon other moneyed capital, etc.; provided, that the tax so imposed upon such shares shall not exceed the *par value* thereof."

This was the express provision in 1865—"par value." When *value* was used in 1866, is it not reasonable to infer that *par value* was understood? Especially when that definition was universally accepted as the true one, and acted upon by the authorities of the State and City for ten years without a question of its correctness. Your Committee cannot presume the Legislature meant to set a trap in which to catch surplus!

But now the Tax Commissioners claim the right to tax the surplus alike of National and State Banks, and not only the actual surplus, but what appears to be the aggregate amount of surplus, discount, interest and exchange added together, as they appear on the books of the bank, making no allowance for discount unearned or doubtful debts.

So far as *sound banking* is concerned, this premeditated tax squarely conflicts with it. And, so far as the policy of the United States can be inferred from its acts, this tax is in direct opposition to the General Government. For, on this subject of *surplus*, the National Bank Act sets forth, Section 23, as follows: "The Directors may semi-annually declare dividend, etc., but each association shall, before the declaration of a dividend, carry one-tenth part of its net profits of the preceding half-year to its surplus fund, until the same shall amount to 20 per centum of its capital stock."

On the other hand, the Tax Commissioners of New York City practically say to the Directors: "If you comply with this law we will tax you every year three per cent. on all additions to your surplus fund." In reply, your Committee ask, is the United States to be circumvented, to have its conservative purpose frustrated, by local or State authority? In other words, is the Government willing to lend itself to the creation of a brood of weak banks—such as there certainly will be, if banks are forced to a division of their surplus funds (and one bank has already commenced such division)—instead of building up strong and safe banks that will command the confidence of the public? Seriously, is not any State law void that tends to defeat the intention of Congress?

While, then, your Committee emphatically disclaim for you and themselves any desire to escape or evade the payment of a full share of taxes, both State and United States, they cannot resist the conviction that banks are required to do more, especially under the recent construction of the New York State law.

For observe, the United States not only do not tax the surplus, but they allow a bank to deduct from its capital stock, all United States bonds—either on hand or deposited in Washington—and require payment of tax only on the balance. While



the city authorities allow no such deduction, but require tax to be paid on the full value of its shares, *including* the sum invested in United States stocks. This, too, when other personal property is reduced in valuation to 60 cents on the dollar, and the bank share is kept at 100,—a discrimination of 40 per centum against the banks! Now, what difference, in result, does it make, whether the banks are assessed at a greater rate of taxation (which the law expressly prohibits), or suffer an increase in the valuation of bank property of 40 per cent over other property? It should not be overlooked, too, that in the hands of an individual, United States bonds, and even legal tenders, are exempt from taxation altogether.

Your Committee having thus attempted to show how taxation bears unequally on banks, both National and State, it only remains to suggest the remedy. It is threefold:

1st. An application should be made to the State Legislature to define what is meant by "*value*" of bank shares.

2d. Apply to Congress to restrict and define the right granted to the several States to tax National Banks; and enact, that taxation shall not exceed a certain percentage on the shares, and the surplus fund shall be exempt from taxation whenever it does not exceed 50 per cent. of the capital.

3d. The last source of relief is the only one in the hands of Bank Managers—namely, to decline to pay to the city the tax assessed on the shareholders of the several banks.

Your Committee take the liberty of inserting here, as a part of their report, a revised copy of their letter to Hon. John Jay Knox, Comptroller of the Currency, premising that Mr. Knox so far approved the letter, that he incorporated into his annual report the more important suggestions contained in it.

The Secretary of the Treasury, however, does not in his report recommend any relief; on the contrary, he advises Congress to authorize the issue of a bond bearing *four* per cent. interest, instead of five, as a basis for bank circulation, without any abatement of existing taxes. This would leave, after the payment of the annual one per cent. tax on circulation, only 3 per cent. interest for all such investments—further reducing the income from circulation by so much.

NEW YORK, November 8th, 1875.

*Hon. John Jay Knox, Comptroller, etc., Washington City.*

SIR: A very interesting and important question to National Banks has arisen out of a suit in Albany, between the Tax Commissioners and the National Exchange Bank of Albany.

It appears that said bank, or a stockholder, refused to pay the tax assessed on shares, at par, on the ground that the shares of the Mechanics and Farmers' Bank—a State Bank—were assessed at no higher value than those of the Albany Exchange Bank, though worth several times more.

The Court in Albany is understood to have decided that the Albany Exchange Bank had no right to complain, inasmuch as its own shares were acknowledged to be worth above par. It was nothing to them if Mr. Olcott's Bank's shares were worth much more than the Albany Exchange Bank's.

Now, the Tax Committee in New York city threaten to tax banks, National and State, not only on the full par value of their shares, but on the total amount of surplus, without any allowance or abatement.

This is a brief statement of the question that has arisen. In consequence of it, the Bank officers, some ten days ago, appointed a committee to look after the matter. That committee consists of Messrs. Vermilye, President of the Merchants' National Bank; Sherman, President of the Mechanics' National Bank; Tappan, President of the National Gallatin; Jordan, of the Third National Bank; and J. E. Williams, of the Metropolitan National Bank.

The Committee sought an interview with the Tax Commissioners last Friday at their office, which lasted more than an hour, in the course of which there was a free and frank interchange of views and opinions.

You are doubtless aware, sir, that the State Law of New York was framed to dodge or get round the decision of the U. S. Supreme Court, in the famous Maryland case, in which the Court held that no State could tax the shares of the Bank of the United States, inasmuch as that Bank was an instrumentality of the United States.

So the New York Legislature says, in point of fact, we tax so much personal property of individual stockholders, as is held by them in this or that bank, *the value* of the shares! The law allows a right of action, if any bank permits the transfer of shares before the tax is paid, after the same has become due; but the New York law does not require the bank to pay the tax. Now, to avoid annoyance and vexatious suits, the banks in New York city, for several years, have paid the tax (about 3 per cent. annually) to the city direct, instead of leaving it for the stockholders to pay.

This recent action, or threatened action, is regarded as aggressive by the banks. The Tax Commissioners refuse to allow time, either for a decision by the State Court of last resort, or for an appeal to the Legislature for redress. They take the ground that, as they must be governed by what the Courts say is the law, and as the Courts have spoken, they must act, and act by the 1st of January, 1876.

We reply substantially as follows:

1st. We speak for National Banks, and say they owe their existence to the laws of Congress, and not to the Legislature of New York.

The United States Government exempts the surplus of National Banks from taxation for wise and obvious reasons. It desires to build up strong instead of weak banks for the safety and benefit of the public, no less than for the profit and advantage of the stockholders.

On the other hand, if local taxation is to be exercised without any restriction on the part of the United States, then banks may be taxed out of existence.

For it is certain that if existing profits of banks, now held as a *surplus fund*, are to be subject to an additional tax of three per cent., that fund will be divided among the shareholders, for the simple reason that no bank could afford to carry it.

2d. The construction of the State law by the Tax Commissioners seems to the Committee unsound. For the law says the tax is to be levied on the *value* of the shares. Not the market value, or intrinsic value, but "value." And the practice heretofore has been in accordance with the law, on the supposition that, without any other qualifying word, *par* was understood. The tax has been laid accordingly.)

Again, the rule of taxation, as adopted by the Tax Commissioners, has been a practical violation of the United States law, which says the capital of banks shall not be taxed at a greater *rate* than is assessed on any other moneyed capital in the hands of citizens. Whereas the city (not the country) has taxed the shares at \$100 each—if that were the *par*—while other real and personal property was taxed at only \$60 on every hundred dollars. A bank, for instance, of \$500,000 capital is taxed on that sum, while an individual worth that would be taxed on \$300,000. This is unjust, oppressive, and ought to be illegal.

3d. But we claim that the State has no right whatever to tax National Banks, excepting to the extent such right is explicitly granted by the United States law.

This principle is made quite emphatic by the United States Supreme Court in the recent decision of case No. 502—The Farmers and Mechanics' National Bank, Buffalo, against Peter C. Dearing—in relation to usury.

In that case, under the third head, the Court says: "The National Banks were brought into existence by the Government, for its own good. The National Government has exclusive control over them. No State has any. Against the National will, in regard to the banks, as in regard to all other institutions of National creation, the States have no power, by taxation or otherwise, to retard, impede, burden, or in any manner control."

This is clear, and, as we think, conclusive.

Now, sir, may we not ask the favor of you to urge on Congress the imperative necessity of passing at once such laws, amendatory of the National Bank Act, as shall effectually relieve National Banks from liability to such unequal and oppressive local or State taxation.

I am, most respectfully, your obedient servant,

J. E. WILLIAMS, *Chairman.*

In conclusion, your Committee submit for your approval the following resolutions:

*Whereas*, The Banks in the City of New York, for the mutual convenience of their stockholders, the Tax Commissioners and themselves, have, for about ten years past, voluntarily assumed the payment of State, County and City taxes, assessed upon shareholders, and which shares have been uniformly assessed at their par value; and,

*Whereas*, It is now proposed for the first time by the Tax Commissioners to increase the valuation of such shares for taxation, by adding the *nominal surplus* of Banks to the par value of their shares, thus raising a legal question which Bank officers and directors have no power to settle and no right to concede; and,

*Whereas*, The imposition of this increased tax on Banks, in addition to the taxes, by the General Government upon the capital, circulation and deposits of Banks, would create an intolerable burden upon their business, which is already excessively taxed; therefore,

*Resolved*, That, in view of the position in which the Banks are placed, between the General and State Governments—the upper and the nether millstone, so to speak—being liable to indefinite taxation by both, a Committee be appointed to present to Congress, and to the State Legislature, such considerations in regard to this subject as will lead to an early and equitable adjustment and a proper limitation of Bank taxation.

*Resolved further*, That the Banks agree together that they will henceforth decline further voluntary payment of taxes, assessed upon the holders of their shares (the law not requiring such payment from the Banks), and leave the taxes to be collected under due observance of the provisions of law.

All of which is most respectfully submitted.

JOHN E. WILLIAMS.

J. D. VERMILYE.

F. D. TAPPAN.

BENJ. B. SHERMAN.

C. N. JORDAN.

NEW YORK, December 21st, 1875.

## BANK CLERKS' MUTUAL BENEFIT ASSOCIATIONS.

The *BANKER'S MAGAZINE* for January contained a very brief summary of the seventh anniversary meeting of the Bank Clerks' Mutual Benefit Association of the City of New York, and of the reports there presented. We now take pleasure in giving to our readers the address (which is slightly abridged) of Mr. E. H. PULLEN, Assistant Cashier of the National Bank of the Republic, who was the Chairman of that meeting. Its sentiments are such as should inspire every bank officer and employé who possesses the ambition to be something higher than a mere routine plodder, or to avoid being hardened into a money-making machine.

## ADDRESS OF MR. E. H. PULLEN.

This evening we are celebrating the seventh reunion of our Association. As the years roll round, widening the sphere of its usefulness and multiplying its benefactions, we are more and more impressed with the valuable services of those who were instrumental in its establishment.

Since its organization no inconsiderable number, who were then our companions, have closed their earthly accounts, and, in many instances, their families have realized from its beneficence timely relief.

Others, in consequence of disease or infirmity, have been compelled to resign positions to the duties of which they were no longer equal, and its brotherly hand has smoothed the path of affliction and supported the tottering steps of enfeebled age.

Our Association is in its infancy, but the few years of its existence are full of tribute to its usefulness; and if such be its brief and pregnant record in the past, what may we not hope for in the future?

Looking, then, with commendable pride at its past history, and with the eye of faith at its future, let us thank God for having inspired its founders with the idea of its formation, and feel grateful to the men who with unwearied patience and tireless perseverance have given that idea its present happy and successful expression.

With gratitude we also remember the sympathy of many friends, expressed not only in words of encouragement, but in munificent deeds, that shall go before them and live after them, sanctified by the widow's prayer and the orphan's tear.

Nor do we fail as an Association to recognize and appreciate the liberality of our employers, the banks; and we indulge the hope that they may, without exception, realize the fact that they serve their best interests in contributing to its success and permanence!

Fellow-members, our profession is an honorable one, abounding in duties and responsibilities, and its corner-stone is faith.

Notwithstanding all the checks and guards devised by human ingenuity, and suggested by experience, the vast and complicated operation of banks and the integrity of their management depend in a great measure on the noble security of faith, confidence, trust.

Directors and officers may be ever so watchful and cautious, but, in the multiplicity and variety of transactions, to personally overlook and review the innumerable details is simply impossible, and these details, in which lie temptation and danger, are necessarily and implicitly intrusted to the clerks.

Your daily experience illustrates the truth of this statement. During the last ten years, years of wild speculation and reckless disregard of principle, over three hundred thousand millions of dollars have passed through our hands, and the percentage of loss by dishonor is infinitesimal.

The avenues of dishonesty and fraud lie open before us on every hand, and yet how few have swerved from the path of rectitude.

Is there no temptation? No man is exempt from temptation. Bank clerks are peculiarly situated, and are tempted and tried beyond the average of humanity.

As a class they are poor in this world's goods, receiving but moderate compensation, and often obliged to practice rigid economy and self-denial. It is said:

"That Satan, now, is wiser than of yore,  
And tempts by making rich, not making poor."

This may be his rule, but surely his Satanic Majesty has made bank clerks the exception, and in dealing with them adheres to his old method:

"The world is a well furnished table,  
Where the guests are promiscuously set,  
Where all fare as well as they're able,  
And scramble for what they can get."

We are mere waiters at the feast. While we minister to the guests in their greedy scramble and mock our own hunger with the crumbs, do we feel no inclination to stretch out our hands and possess the substantials and luxuries of the banquet, if not for ourselves, then for the loved ones at home?

When we saw the great flood-tide of speculation in recent years that floated so many on to fortune; when we beheld men in the eager and successful pursuit of wealth; when we stood in the very midst of the race, deafened by its din and shout of victory, and covered with its dust, did we feel at times no inclination to drop ledgers, turn from tills and spindles, and betray a trust to win a prize?

Tempted? Yes, often; but we remained content at the post of duty, believing that "an honest man is the noblest work of God."

"Lands mortgaged may return, and more esteemed,  
But honesty once pawned is ne'er redeemed."

Again, as clerks in banks, we are intrusted with a condensed history of their clients' business, and can form an intelligent estimate of their standing and credit.

Bank records are the keys of many transactions that are mysteries to the outer world; in their pages and in the vaults secrets lie buried out of sight. Each man's financial status is inscribed on the folios,—the character of his operations, the kite-flying, check exchanging, and other expedients "to tide over" in ordinary use. When has a bank clerk been known to betray this confidence? Has any mischievous gossip or rumor, discreditable or embarrassing to any individual, firm or corporation, ever been traced to one of our number?

There may be some among those who are directly or indirectly interested in these institutions, some who do not appreciate the arduous labors of bank clerks, the peculiar temptations to which they are exposed, or the honesty that distinguishes them as a class, who regard them as mere automatons to add up columns of figures, and count bills with marvelous celerity and accuracy, or as machines, turned by an official crank, to grind out grist for the insatiable maw of avarice; but they are rare, and when we do find such a one, we can say of him, in the language of Sprague, the late banker poet of Boston, that "he loves no music but the dollar clink," and

"Thro' life's dark road his sordid way he wends,  
The incarnation of fat dividends."

Fellow-members, the prizes in our profession are won, not so much by ability as by its faithful consecration, great or small, to the interest of the employer. This rule obtains in all the walks of life. The lawyer succeeds best who identifies himself with his client; the merchant or artisan who studies to please his patrons; the minister of the gospel who sinks his little self in the infinite grandeur of his lofty theme. So the interest of the bank should be the interest of each clerk; he should identify himself with it, work for it, not only within the narrow limits of his own special desk, but in all its departments where his work is needed; he should rejoice in busy and prosperous times, gladly accepting the additional labor resulting therefrom; he should gladly welcome new accounts, and regret the loss of old ones, regardless of increase or decrease of work; he should make the transaction of business with him by customers a mutual pleasure. In short, the bank, not himself, should be his first consideration. Such a man, though his abilities may be moderate, is on the sure road to promotion. He will win the prizes of our high calling. But the man who thinks only of self; who does as little as he can; who shirks and "soldiers;" who is constantly whining about too much work and too little pay; who comes late and goes early; who grumbles if a new account is opened, and chuckles if an old one is closed; who treats a customer as if he were a burglar or a beggar,—that man will never advance in our profession, though he be gifted with splendid abilities.

Let us honor our profession, then our profession will honor us. Let us do whatever our hands find to do, and do it as well as we can.

While we should cultivate the spirit of contentment, we should also cherish a laudable ambition, and, by faithful service in the positions we fill, merit and win the higher honors of our vocation.

Our labors, crowded and compressed in a few hours, are exacting and exhausting, but we have time for relaxation, recreation, recuperation, and the performance of all life's duties. To keep our brains clear and active, and our hearts brave and cheerful, we must care for our bodies,—not by swallowing whole pharmacopœias of nauseating nostrums, but by vigorous, health-giving exercise.

We can roam through the inviting fields of literature, poesy and science, and glean their fadeless flowers, to enrich our minds and brighten our memories.

We can contribute as good citizens to the prosperity of our commonwealth, the purification of politics, the honesty of administration, the elevation of the masses, the extension of freedom, and the stability and perpetuity of our Union.

We have an inexhaustible source of delight in the endearments and affections of our homes, in the duties and pleasures that cluster around our firesides, in the graceful amenities of social intercourse, and the fellowship of kindred minds.

And, above all else, we have a work to do for the Divine Master. Let us consecrate ourselves and our talents, be they few or many, to His service, so that, when at last the balance sheets of our lives are brought into judgment, they may, through His mercy, be accepted with errors and omissions expunged.

"We live in deeds, not years; in thoughts, not breaths;

In feelings, not in figures on a dial.

We should count time by heart-throbs. He most lives

Who thinks the most—feels noblest—acts the best."

## THE BANK CLERKS' BENEFICIAL ASSOCIATION OF PHILADELPHIA.

### SIXTH ANNUAL REPORT.

The seventh annual meeting of the "Bank Clerks' Beneficial Association of Philadelphia" was held at 118 South Seventh Street, on Tuesday evening, December 14th, 1875. The President B. F. Dennison, in the Chair, and G. A. H. Rose, Recording Secretary. The Association was called to order at 7.30, P.M. when the President submitted the following report on behalf of the Board of Management:

*To the Bank Clerks' Beneficial Association of Philadelphia:*

GENTLEMEN: The year ending December 1, 1875, adds another to the history of our organization. Its record, which your Board of Management here presents, indicates our continued growth and prosperity.

Number of members at last report, 253; elected during the year, 26; total, 279. Deaths, 3; expelled for non-payment of dues, 2; total, 5. Present membership, 274. Net gain, 21. Number of Honorary Members at last report, 18; present number, 22; gain, 4.

There has been received for dues and assessments, \$2,453; from contributions, \$470; from Honorary Members, \$150; from interest on investments, \$355.10. Total receipts, \$3,428.10.

Paid for funeral benefits, \$1,500; paid for premium on City Loan, \$102.50; paid for expenses, \$195.25. Total, \$1,797.75. Net gain, \$1,630.35.

Balance at last report, \$5,091.02; balance on hand at this date, \$6,721.37. Of this amount \$6,500 are invested in City 6 per cent. Loan, and \$221.37 deposited in the Fidelity Ins. and Safe Dep. Co.

Amount invested at last report, \$5,000; present investment, \$6,500. Net gain, \$1,500.

Market value of investments, \$7,085. Total amount paid as funeral benefits since the organization of the Association, \$9,500.

Total amount received from Honorary Members and other contributors, \$2,535; present investment, \$6,500. Net gain from dues and assessments, \$3,965.

We have to record the death of *three* of our number during the year. The benefit in each case was paid to the legal representative of the deceased, as provided by our laws.

Ed. M. Bartlett, Assistant to the Receiving Teller, Girard National Bank; died December 30th, 1874; age, 67 years; of consumption. He left five children. He was for twenty-two years in the service of the Bank. For a time he was a member of the Board of Management of the Association.

James Francis Maher, First Receiving Teller, Farmers and Mechanics' National Bank; died January 24, 1875; age, 51 years; of pneumonia. For twenty-eight years in the service of the Bank. He was unmarried.

Frederick S. Heston, Book-keeper, Farmers and Mechanics' National Bank; died April 13, 1875; age, 30 years; of consumption. Unmarried. Had been ten years in the employ of the Bank.

The Board acknowledge the receipt of a *second* donation from the Clearing-House Association of \$470.

Isaiah V. Williamson, Esq., of this city, well known for his deeds of charity, has conveyed to the Association, in trust for its proper purposes, a well-secured yearly ground-rent of \$50. This generous contribution is equivalent to an increase of our invested funds of \$833.33⅓.

The Board are preparing a permanent record of deceased members of the Association. This record will contain the name, age, time and cause of death of such members, together with such items of personal history as we may be able to obtain; also, time of service in Bank. A very handsome book for this purpose has been presented by Mr. Jos. Mann.



Your Board are assured that a careful review of the facts and figures thus presented will prove satisfactory to the members of the Association, and will serve to impress those not members with the fact that *ours* is among the permanent and prosperous benevolent institutions of our city, and will create a growing desire among the Clerks of our several Banks to enroll themselves among our membership.

We are not without the hope that the time will come when *all* will thus be enrolled, and when membership with us will be regarded as an *essential* qualification for advancement in our profession; as indicating that prudence and kindness which are the inseparable accompaniments of integrity and honor.

The Associations in New York, Pittsburgh and St. Louis, continue to prosper. Similar organizations, we learn, exist in Providence, R. I., and in New Orleans.

The President of the Association attended the annual reunion of the New York Association, held Tuesday, December 7th, in the Hall of the Y. M. C. Association of that city. E. H. Pullen, Esq., of the National Bank of the Republic, presided, and delivered an eloquent and timely address. The annual report was read, and an address was delivered by Rev. Jno. Hall, D. D. There was also vocal and instrumental music. The occasion was one of great interest.

Accompanying this report will be found the reports of the Treasurer, Recording Secretary and Auditing Committee.

The thanks of the Board are due to Messrs. Lehman & Bolton for Certificates of Membership, furnished without expense to the Association.

On behalf of the Board of Management.

B. F. DENNISON,  
*President.*

The annual reports of the Treasurer, Recording Secretary and Auditing Committee were also presented.

The election of officers and Directors to constitute the Board of Management for 1876, was then held with the following result:

Board of Management, 1876: President, B. F. Dennison, Manufacturers' National Bank; Vice-President, T. G. Boggs, Philadelphia Saving Fund; Treasurer, R. E. Wright, First National Bank; Recording Secretary, G. A. H. Rose, Mechanics' National Bank; Corresponding Secretary, Joseph S. Sparks, 407 Buttonwood Street.

Directors: C. D. Howell, Farmers and Mechanics' National Bank; Jno. C. Plish, Mechanics' National Bank; Edward Wheeler, Penn National Bank; J. C. Garland, Western National Bank; L. Renshaw, Bank of North America; W. T. Nelson, Union National Bank; Samuel Spering, Commercial National Bank; Joseph Roberts, Philadelphia National Bank; Arthur Wells, Western National Bank; R. L. Wright, Jr., Fidelity Ins. Safe Dep. and Trust Co.; Watson Depuy, First National Bank, Camden.

## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

## I. PAYMENT OF CHECKS AFTER DEATH OF DRAWER.

Two parties, A and B, had dealings here, and exchanged receipts after banking hours. A gave B a check for balance due. During the following night A. died, and the next morning a friend of A., not an administrator or executor, ordered payment of check stopped. The banker did not pay. Should he have paid B.? Has B. any recourse on banker?

REPLY.—The payment of a check whose drawer has died since its signature, is stopped by the fact of his death. When informed of this fact, from whatever source, the bank has no legal right to pay the check. If paid after such knowledge, the executor or administrator can require and compel the bank to pay the amount as he may order, and the bank becomes simply a creditor of the estate to such amount, and must take its chances of receiving the money. The theory of law is that all transfers of property are stopped by the death of its owner. Should the bank pay the checks of a deceased person, having no notice of his death, it is protected up to the time that the notice may reach it.

The holder of such a check should make a proper demand of the bank, and notify the legal representative of the estate against which the check is a claim.

## II. COLLECTIONS PAYABLE AT A FAILING BANK.

Jones & Co. left at First National Bank for collection a note for \$500, made by Smith & Co., payable at Bum & Co.'s Bank, indorsed "No protest. Jones & Co." On the day of its maturity the First National Bank presented the note at Bum & Co.'s, who certified the note in the ordinary way, but made no charge to the account of Smith & Co. The next day after the exchanges were made between the banks, Bum & Co. failed, closed their doors, and, as usual, there is little or nothing left for anybody but lawyers.

Who, in your judgment, loses the \$500? Have Smith & Co. paid their note? Was the First National Bank guilty of any neglect?

REPLY.—The bank which held the note, and presented it for payment, had the opportunity of collecting the amount in money, which it was their place to do.

If, instead of actually collecting the money, they elected to take the *certification* of the banker at whose counter the note was payable, they did this at their own risk; and if Smith & Co. claim that they left the money there for the payment of the note, and it was not drawn by the holder when presented, the latter must stand the loss. Practically, it is the same as in the case of a check, the certification of which releases drawer and indorsers.

Our correspondent subsequently adds the following inquiries to the first:

Smith & Co.'s account was good when the note fell due; but if Bum & Co. *could not* respond in currency if it had been insisted on, would that change

the matter? Had the First National Bank (under the same circumstances) failed instead of Bum & Co., could Jones & Co. have claimed the note, or would it become one of the assets to go into the charge of the Receiver?

If the fact can be proven that no urging on the part of the bank could have effected payment of the note, it would relieve them from responsibility for a loss which was not preventable. Had the bank failed while holding an unpaid note for which they had given neither value nor credit, the proper owner would be clearly entitled to its return to him.

### III. QUOTATIONS OF U. S. BONDS IN LONDON.

Will you oblige me by explaining, in your Replies to Correspondents, why U. S. bonds and some other American securities are quoted in London at "par a 103"?

REPLY.—American securities are quoted in London, not on the dollar at its par value, nor on the current rate of exchange, but by an *agreed* estimate of five dollars to the pound.

The value of the quotation is thus shown:

U. S. bonds of 1867 in London.....	109
Multiply by currency value in New York of sterling at cable	
rate of exchange, say.....	5.56

Divide by conventional value of the pound.....	\$ 5 ) 606.04
--	---------------

Which is the equivalent of a quotation in New York of...\$121.21 currency.

### REVIEW OF THE GOLD AND STOCK MARKETS IN 1875.

The gold market has been disturbed during 1875 by two or three special causes, but for which the premium would probably have remained tolerably steady throughout the year. The price opened 2d January at 112½, and rose to 113 on the 4th. A clique was formed early in February, who put up gold to 117 on the 29th of March, and kept it fluctuating till the 23d of July, when it was exploded on the discovery that one of its leading operators was carrying too much gold for his very meager capital. After a brief interval the clique was reconstituted, and their operations were facilitated by the panic in San Francisco. Their efforts culminated 5th of October, and the price rose to 117½, the highest quotation of the year. On that point there was a gradual fall to 112¾ on the 30th December. The circumstances to which we referred above as operating to disturb the gold premium were, first, the contract of the Government with the Syndicate, who had bought during the year the whole residue of the new Fives, amounting to \$122,688,550 at 99¾ in gold. The Syndicate had the right to pay for these bonds in either of two ways at their option. First, they might pay for them in coin, or, secondly, in six per cent. called bonds. As the new Fives were issued to replace the outstanding Sixes, no disturbance of the gold market would have resulted from the simple exchange of the new Fives for the old Sixes. But the trouble arose incidentally, and as it has not yet exhausted its force, we have briefly explained its causes in our money article this month. As to the origin of the trouble, we may state that, with a view to facilitate their operations, the Syndicate desired Mr. Bristow to call 43 millions of bonds for the Sinking Fund in addition to the 122 millions which were to be replaced by the new Fives. This was a great convenience to the Syndicate, who could go into the market and buy up the 122 millions of called bonds needful to fulfill their payments into the Treasury

with more ease. When they had bought all they wanted, there was still in the market 43 millions more of called bonds expiring at different dates. Thus, on the 1st February, 10 millions of 1864's will mature; on the 15th February, 15,810,000 of 1864's, and 1,975,400 of 1865's. The aggregate of bonds maturing on the 1st and 15th of February is \$27,785,350. All these bonds have been called in by the U. S. Treasury, and are payable in gold. These 27 millions are all that remain of the 43 millions which were called in by Mr. Bristow over and above the amount of the new Fives taken last year by the Syndicate. It is easy to see how the 18 millions already paid have caused a drain on the gold market, and have enabled a few speculators to get control at very small cost over the quotations of the Gold Room and the movements of foreign exchange. To this cause is to be attributed the squeeze in cash gold, and the perturbation in the prices of foreign bills, which have been such noticeable features of the past year. This month, as we said, the Treasury has to provide for the payment in gold of 27 millions of bonds, and already a clique of speculators are reported to be ready to take advantage of any excitement of the gold market which may thus be caused.

The other circumstances which have disturbed the gold market are the changes in the Bank of England rate of discount, the continued demand of gold for Germany and France, and the public agitation of the currency question in and out of Congress. As might have been expected, the Syndicate bankers have not escaped the imputation of fostering the schemes for disturbing the gold market. Their operations in the immediate future will be watched with considerable care by the public. Higher prices for gold are in some quarters predicted; but it is evident that as we approach the time fixed for specie payments, the premium on gold ought gradually to decline. The demand for governments has been quite active throughout the year for foreign and home investments. Prices have closely followed the movements of gold, except during the periods of the highest speculative advance, when there was of course much irregularity. In the foreign exchange market the same irregularity from speculative causes was exhibited, but in a higher degree, especially in March and September. On several accounts, the movements of gold this year have been more noteworthy than in any year since the war.

In presenting our usual semi-annual table of the fluctuations of the Stock Exchange, we give a brief outline of the principal movements of each month. The year just past has, upon the whole, been one favorable to stock speculation, although a somewhat eventful one withal. Several railroads have gone into the hands of Receivers, or have been sold to foreclose mortgages, while the stock of others has fluctuated widely. One of the most remarkable features of the year's operations has been the advance in Union Pacific from 36, in January, the lowest point of the year, to 82½ in November.

*January* was marked by a heavy decline in several of the speculative stocks. Lake Shore fell 6½ between the 2d and the 18th, on account of an injunction restraining it from paying the 3½ per cent. dividend declared in December previous. Wabash fell 5½ between the 2d and 28th, owing to the expectation that it would make default in the payment of interest on its bonds due February 1st. Several other Western roads declined under the influence of railroad war, hostile legislation, and the prevailing depression in business. Pacific Mail suffered from the Congressional investigation into the subsidy which ultimately resulted in the loss of the extra compensation. Western Union Telegraph fell to 70½, owing to the active competition of Atlantic & Pacific, which showed a rise. There was a brisk home demand for United States bonds, and prices were firm. The foreign demand had scarcely revived, but the return of bonds from Europe had ceased.

*February* opened with a slight rally in Lake Shore, the injunction having been dissolved on the 30th of January. The default of Wabash in the payment of interest having become a reality, the road was, on the 22d, placed in the hands of a Receiver. Congress repealed the Pacific Mail subsidy, sending this stock down to 30½. Hence there was a continued decline in most of the speculative stocks, except Union Pacific, which felt the favorable influence of increased earnings, and of the prospect of obtaining a favorable settlement of its difficulties with the Government. Western Union fell to 70½ from apprehensions of the passage of General Butler's bill to regulate the rates of telegraph

companies. Government bonds were unsettled, owing to the fluctuations in gold.

*March.*—The Stock Market was less excited than in March, but the transactions continued large. Union Pacific continued to advance, touching  $78\frac{1}{2}$ , the highest for the month, and Western Union recovered from the previous decline; but the most noticeable advance was in Panama, which, from 118, at which it stood in the early part of the month, mounted up to 172 on the 26th, the highest price it has reached since 1869. The weaker stocks showed a tendency to decline. Lake Shore and other Western roads were depressed by unfavorable traffic returns, and by the floods in that section. Government bonds continued in demand, partly for speculation, but largely for investment.

*April.*—The Stock Market was less excited than in March, but the transactions continued large. Union Pacific continued to advance, touching  $78\frac{1}{2}$ , the highest for the month, and Western Union recovered from the previous decline; but the most noticeable advance was in Panama, which, from 118, at which it stood in the early part of the month, mounted up to 172 on the 26th, the highest price it has reached since 1869. The weaker stocks showed a tendency to decline. Lake Shore and other Western roads were depressed by unfavorable traffic returns, and by the floods in that section. Government bonds continued in demand, partly for speculation, but largely for investment.

*May.*—The reaction from the previous era of speculation began now to be felt, and the month was marked by a successful bear movement. There was a disagreement between the Directors of the Pacific Mail Co. and of the Panama Railroad, and in consequence the stock of the former fell to  $32\frac{1}{4}$ , and that of the latter to 122. The failure of the Western Union Co. to successfully negotiate a 6 per cent. \$4,000,000 loan, sent the price of its stock down to  $71\frac{1}{2}$ . On the 26th Erie was placed in the hands of a Receiver, and its stock fell to  $16\frac{1}{4}$ . These depressing influences, combined with the continuance of the railroad war, caused a general decline in the prices of stocks, including even investment securities. Lake Shore fell from  $72\frac{3}{4}$  to  $57\frac{1}{4}$ . Cleveland, Columbus, Cincinnati & Indiana, from 62 to 46, and Wabash from  $14\frac{3}{4}$  to  $8\frac{1}{4}$ .

*June.*—During this month the railroad war was brought to an end, and several of the stocks which had been most depressed in May rallied somewhat; but the earnings of most of the railroads were light, which exercised a depressing influence. Wabash fell to  $4\frac{1}{2}$  on the 29th. Pacific Mail rose to 42 on the announcement that the Company had made a contract with the Australian Government for a monthly mail service which would net the Company about \$375,000, gold, per annum. Railroad bonds of the best class were active, with a lively investment demand. Government securities were active, with a considerable demand for exportation.

*July.*—The prospect of an increased grain export, and the increased earnings of the principal Western railroads, tended to support the prices of stocks. The successful negotiation by the Western Union of its \$4,000,000 loan, enabling it to meet all maturing obligations, without selling stock, combined with rumors that it was likely to absorb Atlantic & Pacific, sent its stock up to  $82\frac{3}{4}$  on the day before the failure of Duncan, Sherman & Co. This event, which occurred on the 27th, coming simultaneously with a bear movement, caused a sharp decline in several leading stocks, creating a temporary panic. But the heavy bear operators, who had large amounts of stock pledged as collateral for loans, and who saw that the market, unless sustained, might get beyond their control, and lead to a sacrifice of the stocks with which they were heavily loaded, were compelled, in self-defense, to change their tactics, and by large purchases to buoy up the prices and avert the threatened catastrophe. Government bonds declined in sympathy with gold.

*August.*—The business was light, and the fluctuations small, till toward the close of the month, when the San Francisco panic somewhat affected the stock market. Western Union fell to  $78\frac{1}{4}$  on the 31st, a decline of  $6\frac{1}{4}$  from the highest price of the month. This fall was attributed to the report that negotiations with the Atlantic & Pacific had been broken off, and that the latter would unite with the California Co., and to the expectation that the recovery of the Direct Cable by the Faraday would make opposition to the Western Union powerful. Mr. Gould, having failed to get possession of this stock, aided the downward movement by selling freely. U. S. bonds were firm and active under a growing demand from abroad,

*September.*—There was no movement of special interest during this month. Unfavorable reports about Lake Shore caused this stock to drop to  $51\frac{1}{4}$ , from which it rallied somewhat towards the close of the month. Pacific Mail fell to  $33\frac{3}{4}$  on the 15th. There was also a heavy fall in Missouri Pacific and Michigan Central.

*October.*—The financial unsoundness of the Atlantic & Pacific and Missouri Pacific R. R. Cos. began now to be plainly manifest. Both stocks declined heavily, the former to 4, and the latter to  $8\frac{3}{4}$ , the fall of the last named amounting to about 40 per cent. from the highest price of the preceding month. Union Pacific fell to  $61\frac{1}{4}$ , by reason of the absence of Mr. Gould on a Western trip. Other stocks shared in the depression. Lake Shore and Pacific Mail, however, began to advance at the close of the month.

*November.*—The elections of this and the previous month having ended in the defeat of the inflationists, an improved tone was imparted to the market. Missouri Pacific recovered somewhat, but did not go above  $15\frac{3}{4}$ . Erie was depressed by rumors of intended foreclosure. There was a considerable decline in Michigan Central, which closed at 57, the lowest quotation of the month. On the 29th, the decision of the United States Supreme Court in favor of the Union Pacific R. R. Co. was announced, and the next day the stock reached  $82\frac{3}{4}$ , the highest quotation of the year. The market for Government Securities was active, both for speculation and for investment. The closing up of the new fives had developed a new movement in the foreign demand, which also received considerable impulse from recent events in Europe.

*December.*—There were few movements of special note in the speculative stocks during this month. Union Pacific receded about 11 per cent. from the highest price of the previous month. Western Union fell about 6 per cent. Railroad stocks were for a time depressed by the prospect of a war between the Canadian Trunk lines and our own, but at the close of the month this danger was reported to be averted.

We give below the prices of the principal stocks and gold on the opening and closing days of 1875, or the days nearest to those for which quotations exist, and also the highest and lowest quotations during the year. In the case of Government bonds and gold, the last column gives the closing quotations of the day:

Opening.	Highest.	Lowest.	Closing.
U. S. 6's, coupon, 1881....	$118\frac{3}{4}$	$126\frac{1}{4}$ June 17	$118\frac{1}{4}$ Jan. 8 . 124 bid
U. S. 5-20, coupon, 1868.*	$118\frac{3}{4}$	$125\frac{1}{4}$ June 18	$118$ Jan. 9 . $122\frac{3}{4}$ bid
U. S. 10-40, coupon.....	115	$119\frac{1}{4}$ Aug. 28	$113\frac{3}{4}$ Mar. 4 . 118
U. S. new 5's.....	$113\frac{3}{4}$	119 June 28	$113\frac{3}{4}$ Jan. 2 . 117
U. S. cur'cy, 6's, (Pacifics).....	$117\frac{1}{4}$	$125\frac{1}{4}$ Nov. 23	$117\frac{3}{4}$ Jan. 4 . $122\frac{3}{4}$
Atlantic & Pacific, pref'd.	$16\frac{1}{4}$ bid	18 Apr. 30	$3\frac{1}{4}$ Dec. 7 . 4
Chicago & Northwestern..	$47\frac{1}{4}$ a $48\frac{1}{4}$	$48\frac{3}{4}$ Jan. 4	$33\frac{1}{4}$ Oct. 9 . $39\frac{1}{4}$
Chic., Rock I. & Pacific....	103 a $103\frac{3}{4}$	$109\frac{1}{4}$ Aug. 19	$100\frac{1}{4}$ May 28 . 105
Col., Chic. & Ind. Central.	$9\frac{1}{4}$	$9\frac{1}{4}$ Jan. 14	3 June 18 . $3\frac{1}{4}$ a $3\frac{1}{4}$
Del., Lack. & Western....	$106\frac{3}{4}$ bid	123 Apr. 27	$106\frac{1}{4}$ Jan. 2 . $120\frac{3}{4}$ a $120\frac{1}{4}$
Adams Express.....	98 bid	$104\frac{1}{4}$ Mar. 23	98 Jan. 2 . $102\frac{1}{4}$
Erie Railway.....	$28\frac{3}{4}$ a $29\frac{1}{4}$	$35\frac{1}{4}$ Mar. 29	$12\frac{1}{4}$ June 21 . $15\frac{1}{4}$ a $15\frac{1}{4}$
Hannibal & St. Joseph....	26 bid	$30\frac{1}{4}$ Mar. 29	$15\frac{1}{4}$ Oct. 8 . 21
Lake Shore & Mich. S'thn	$79\frac{1}{4}$ a $80\frac{1}{4}$	$80\frac{1}{4}$ Jan. 2	$51\frac{1}{4}$ Sep. 15 . $60\frac{1}{4}$ a $60\frac{1}{4}$
Missouri Pacific.....	46	55 Apr. 30	$7\frac{1}{4}$ Oct. 23 . $11\frac{1}{4}$ a 12
Michigan Central.....	$82\frac{1}{4}$ bid	$82\frac{1}{4}$ Jan. 5	53 Sep. 27 . $58\frac{3}{4}$ a $59\frac{1}{4}$
Milwaukee & St. Paul....	$38\frac{3}{4}$ a $39\frac{1}{4}$	$40\frac{1}{4}$ Apr. 9	$28\frac{1}{4}$ June 12 . $35\frac{1}{4}$ a $35\frac{1}{4}$
" pref'd.	$58\frac{1}{4}$ a $58\frac{1}{4}$	$67\frac{1}{4}$ Dec. 28	51 Mar. 1 . $66\frac{3}{4}$ a 67
N. Y. Cent. & Hud. River.	$101\frac{1}{4}$ a $102$	$107\frac{1}{4}$ May 8	100 May 28 . $104\frac{1}{4}$ a $105$
New Jersey Central.....	$104\frac{1}{4}$ bid	120 Apr. 27	$99\frac{1}{4}$ Oct. 8 . $106\frac{1}{4}$
Ohio & Miss.....	$32\frac{3}{4}$ a $32\frac{3}{4}$	$32\frac{1}{4}$ Jan. 2	$14\frac{1}{4}$ Sep. 23 . 17 a $17\frac{1}{4}$
Pacific Mail.....	$33\frac{3}{4}$ a $36\frac{1}{4}$	$45\frac{1}{4}$ Apr. 3	$30\frac{1}{4}$ Feb. 10 . $38\frac{1}{4}$ a $39\frac{1}{4}$
Panama.....	$114\frac{1}{4}$	172 Apr. 26	$110\frac{1}{4}$ Jan. 21 . 125 bid.
Tol., Wabash & Western.	20 a $21\frac{1}{4}$	$21\frac{1}{4}$ Jan. 2	$2\frac{1}{4}$ Dec. 21 . $3\frac{1}{4}$ bid.
Union Pacific.....	$36\frac{3}{4}$ a $37\frac{1}{4}$	$82\frac{1}{4}$ Nov. 30	36 Jan. 18 . 74 a $74\frac{1}{4}$
Western Union Telegraph.	$78\frac{1}{4}$ a $79\frac{1}{4}$	$84\frac{1}{4}$ Aug. 17	$70\frac{1}{4}$ Feb. 17 . $73\frac{1}{4}$ a $74\frac{1}{4}$
Gold.....	$112\frac{1}{4}$ a $112\frac{1}{4}$	$117\frac{1}{4}$ June 22	Jan. 15 } $113$ Oct. 5 } July 23 }

\*Ex. Interest.

## FLUCTUATIONS OF THE NEW YORK STOCK EXCHANGE—1875.

Compiled by THOMAS DENNY &amp; Co., Stock and Bond Brokers, 39 Wall Street.

(For previous quotations, see BANKER'S MAGAZINE for August, 1875.)

STOCKS.	JULY.		AUGUST.		SEPTEMBER.		OCTOBER.		NOVEMBER.		DECEMBER.	
	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.
U. S. Six per cts. of 1881, Coupon Bonds	120	123	120 $\frac{1}{4}$	122	122	123 $\frac{1}{4}$	122 $\frac{1}{4}$	123 $\frac{3}{4}$	122 $\frac{1}{2}$	124	123 $\frac{1}{2}$	125
" Five-Twenty of 1862, " "	115 $\frac{1}{4}$	116 $\frac{1}{4}$	115 $\frac{1}{4}$	117	118 $\frac{1}{4}$	119 $\frac{1}{4}$	118 $\frac{1}{4}$	119 $\frac{1}{4}$	114 $\frac{1}{2}$	114 $\frac{1}{2}$	115 $\frac{1}{2}$	116 $\frac{1}{2}$
" " " 1864, " "	116	118 $\frac{1}{4}$	115 $\frac{1}{4}$	117	117 $\frac{1}{4}$	119 $\frac{1}{4}$	118 $\frac{1}{4}$	119 $\frac{1}{4}$	114 $\frac{1}{2}$	114 $\frac{1}{2}$	115 $\frac{1}{2}$	116 $\frac{1}{2}$
" " " 1865, " "	117 $\frac{1}{4}$	122 $\frac{1}{4}$	118 $\frac{1}{4}$	119 $\frac{1}{4}$	117 $\frac{1}{4}$	119 $\frac{1}{4}$	118 $\frac{1}{4}$	120 $\frac{1}{4}$	115 $\frac{1}{4}$	116 $\frac{1}{4}$	119 $\frac{1}{4}$	121
" " " 1865, New, " "	117 $\frac{1}{4}$	120 $\frac{1}{4}$	118 $\frac{1}{4}$	119 $\frac{1}{4}$	117 $\frac{1}{4}$	119 $\frac{1}{4}$	118 $\frac{1}{4}$	119 $\frac{1}{4}$	115 $\frac{1}{4}$	120 $\frac{1}{4}$	119 $\frac{1}{4}$	121
" " " 1867, " "	118 $\frac{1}{4}$	122 $\frac{1}{4}$	120	120 $\frac{1}{4}$	119 $\frac{1}{4}$	121 $\frac{1}{4}$	119 $\frac{1}{4}$	121 $\frac{1}{4}$	120 $\frac{1}{4}$	122 $\frac{1}{4}$	121 $\frac{1}{4}$	123 $\frac{1}{4}$
" " " 1868, " "	119 $\frac{1}{4}$	121 $\frac{1}{4}$	120 $\frac{1}{4}$	121 $\frac{1}{4}$	120	121 $\frac{1}{4}$	120 $\frac{1}{4}$	121 $\frac{1}{4}$	121	122 $\frac{1}{4}$	122 $\frac{1}{4}$	123
" Ten-Forty Coupon Bonds	116 $\frac{1}{4}$	119 $\frac{1}{4}$	117 $\frac{1}{4}$	119 $\frac{1}{4}$	116 $\frac{1}{4}$	118 $\frac{1}{4}$	116 $\frac{1}{4}$	117 $\frac{1}{4}$	116	117 $\frac{1}{4}$	117 $\frac{1}{4}$	118
" Five per cts. of 1881, Coupons	114 $\frac{1}{4}$	119	115 $\frac{1}{4}$	117 $\frac{1}{4}$	116 $\frac{1}{4}$	118 $\frac{1}{4}$	116 $\frac{1}{4}$	118 $\frac{1}{4}$	115 $\frac{1}{4}$	117 $\frac{1}{4}$	116 $\frac{1}{4}$	118
" Six per cts. Currency	122	123	122 $\frac{1}{4}$	123	123 $\frac{1}{4}$	124	123 $\frac{1}{4}$	124 $\frac{1}{4}$	123 $\frac{3}{4}$	125 $\frac{1}{4}$	122	122 $\frac{3}{4}$
Canton Company, Baltimore	53	60	50	54	47	50 $\frac{1}{4}$	36	40 $\frac{1}{4}$	36	40	39	40
Delaware and Hudson Canal Company	119	124	119 $\frac{1}{4}$	120 $\frac{1}{4}$	119 $\frac{1}{4}$	120 $\frac{1}{4}$	119	120 $\frac{1}{4}$	120 $\frac{1}{4}$	124	122 $\frac{1}{4}$	124
Consolidated Coal Company of Maryland	45	49	46	48	44 $\frac{1}{4}$	49 $\frac{1}{4}$	45	47	47	48	45	47
Quicksilver Mining Company	13 $\frac{1}{4}$	16	14 $\frac{1}{4}$	16 $\frac{1}{4}$	14 $\frac{1}{4}$	16	15 $\frac{1}{4}$	19	17	18	16 $\frac{1}{4}$	18 $\frac{1}{4}$
" " Preferred	20	22	20	21 $\frac{1}{4}$	20	22	20	22 $\frac{1}{4}$	22 $\frac{1}{4}$	23 $\frac{1}{4}$	23	24 $\frac{1}{4}$
Mariposa Land and Mining Company	9 $\frac{1}{4}$	13 $\frac{1}{4}$	10	12 $\frac{1}{4}$	10	10 $\frac{1}{4}$	8 $\frac{1}{4}$	11	7	7	7 $\frac{1}{4}$	10 $\frac{1}{4}$
Western Union Telegraph Company	73	84 $\frac{1}{4}$	78 $\frac{1}{4}$	85	75 $\frac{1}{4}$	81 $\frac{1}{4}$	73 $\frac{1}{4}$	77 $\frac{1}{4}$	75	77 $\frac{1}{4}$	71 $\frac{1}{4}$	77 $\frac{1}{4}$
Pacific Mail Steamship Company	34	41 $\frac{1}{4}$	36 $\frac{1}{4}$	40 $\frac{1}{4}$	33 $\frac{1}{4}$	38 $\frac{1}{4}$	34 $\frac{1}{4}$	42	37 $\frac{1}{4}$	43	38 $\frac{1}{4}$	42
Adams Express Company	99 $\frac{1}{4}$	100 $\frac{1}{4}$	100 $\frac{1}{4}$	103	101	102	99 $\frac{1}{4}$	101 $\frac{1}{4}$	100 $\frac{1}{4}$	103	101 $\frac{1}{4}$	103 $\frac{1}{4}$
Wells, Fargo & Co. Express Company	78 $\frac{1}{4}$	83	68	81	77 $\frac{1}{4}$	80	78 $\frac{1}{4}$	79 $\frac{1}{4}$	78 $\frac{1}{4}$	82	83	80 $\frac{1}{4}$
American Express Company	56 $\frac{1}{4}$	58	57 $\frac{1}{4}$	61	58	60 $\frac{1}{4}$	55 $\frac{1}{4}$	57 $\frac{1}{4}$	57 $\frac{1}{4}$	61	56 $\frac{1}{4}$	60 $\frac{1}{4}$
United States Express Company	42	46	41 $\frac{1}{4}$	44 $\frac{1}{4}$	43 $\frac{1}{4}$	45 $\frac{1}{4}$	43 $\frac{1}{4}$	45	44 $\frac{1}{4}$	55	53	62 $\frac{1}{4}$
N. Y. Central and Hudson River R. R.	102	104 $\frac{1}{4}$	103 $\frac{1}{4}$	105 $\frac{1}{4}$	101 $\frac{1}{4}$	103 $\frac{1}{4}$	101 $\frac{1}{4}$	105	103 $\frac{1}{4}$	106 $\frac{1}{4}$	103 $\frac{1}{4}$	106

Erie Railway.....	13½	15½	14½	16½	15½	20½	14½	18½	14½	18½	15	17½
"    Preferred.....	..	..	28	28	32½	40	35	..	..	..	30½	32
Harlem Railroad.....	131	134½	133½	135	129	134½	129½	132½	132½	133	130	134½
N. Y., New Haven and Hartford R. R.	141	144	144	145	142½	144	143½	144	144	140½	141½	147
Michigan Central Railroad Company...	63½	69	62	66½	53	63	53½	57	57	67½	57½	62½
Lake Shore and Michigan Southern R. R.	58	62½	59	62	51½	59½	51½	59½	59½	62½	57½	62½
Panama Railroad Company.....	122	133	130	142	134	141	128	136	125	137	125	127
Union Pacific Railroad Company.....	68	76½	71½	75½	69½	74½	61½	69½	62½	82½	72	81
Illinois Central Railroad Company.....	98	103½	95	99	97½	98½	88½	98	90½	95½	93½	97½
Cleveland and Pittsburgh Railroad Co.	91½	92	89½	92	89½	91½	87½	91½	88½	90½	89½	90½
"    Col., Cin. and Ind. Railroad.	42	45	45	55	50	53	47½	52½	53	60	57	59½
Pittsburgh, Rock Island and Pacific R. R.	103½	106	105	109½	106½	108½	101½	108½	103½	106½	103½	105½
Chicago, Ft. Wayne and Chicago R. R.	97½	98½	98	101½	97½	101	97½	99	96½	98½	98	99½
Chicago, Burlington and Quincy Railroad	112	115	111½	118½	111½	112½	110½	112	111½	113	113	115
"    and Alton Railroad Company..	102½	105	100	104½	97½	100	94	98	95	98	97	98
"    "    Preferred.....	107	109	103	109	103½	105½	103	104	105	105	105	106
"    and Northwestern Railroad Co.	36½	42½	38½	43½	37½	40½	33½	40	36½	39½	37½	40½
"    "    "    Pref.	49	56½	54½	59	52½	55½	46	54½	51	55	53½	56½
"    Milwaukee and St. Paul R. R.	33½	37½	35½	39	33½	37	29½	35½	34	37½	33½	36½
"    "    "    "    Pref.	55	61½	58½	65½	61½	64½	58½	63½	62½	67	64½	67½
Toledo, Wabash and Western R. R. Co.	47½	7½	5½	7	5½	7½	5½	6½	5	6½	2½	5½
St. Louis and Iron Mountain R. R. Co.	18	18	18	18	15	17	13	17	14½	16	14½	16½
Pacific Railroad Company of Missouri..	48	51½	43½	49	39½	47½	8½	38½	9½	15½	11½	13½
St. Louis, Kansas City and N. R. R. Pref.	36	38	26	32	30½	31½	24½	30	26	27	19½	25
Atlantic and Pacific Railroad, Preferred	14½	15½	11	14	9½	13	4	9½	4½	5½	3½	4½
Del., Lackawanna and West. R. R. Co.	118½	121½	119½	121½	119½	122½	115	120	117½	120	119½	120½
Alton and Terre Haute Railroad.....	..	..	6½	8½	7	7	5	5	5	5½	5	5
"    "    "    "    "    Pref.	18	18	22	23	25	25	20½	22	21	24	20½	21
Morris and Essex Railroad Company...	100½	102½	102	104	102½	103½	102½	104	103½	103½	100½	105
New Jersey Central Railroad Company.	109	112	109	111½	109½	112	99½	108	104	106	104	106½
Rome, Watertown and Ogdensburg R. R.	..	..	50	55	52½	52½	50	50	..	..	..	..
Rensselaer and Saratoga Railroad Co....	..	..	..	..	..	..	..	..	..	..	..	..
Ohio and Mississippi Railroad Company.	18½	24½	18½	20	18½	19½	15½	17½	16	19½	15½	17½
Hannibal and St. Joseph Railroad.....	22½	26	21½	25½	18½	23½	15½	21½	19	24½	20	22½
"    "    "    "    "    Pref.	30	32	29	31	22	26	21	24	22	32½	25½	29½
Col., Chicago and Ind. Central Railroad	3½	5½	4	5	3½	4½	3½	5	4½	5½	3½	4½



## THE LAW OF USURY.

## THE EFFECT OF LIMITATIONS OF CORPORATE AUTHORITY.

A corporation whose charter forbids it to receive more than six per cent. interest, cannot recover upon a note discounted at seven and a-half per cent.—the note being rendered invalid and void as an evidence of debt.

## SUPERIOR COURT OF CINCINNATI.

*James P. Kilbreth, Assignee of the Ohio Life Insurance and Trust Company, vs. Isaac Bates and E. B. Reeder.*

YAPLE, J.—This action was brought upon two bills of exchange, one for \$3,500 and the other for \$2,500, amounting to \$6,000, made in the year 1857. Reeder makes no defense, and, for the purposes of the present decision, may be considered as out of the case. The bills were drawn by Reeder & Co. in their own favor, directed to Isaac Bates, who accepted them both in writing. The first defense set up is that Dennistoun, Wood & Co., of New York, claiming to be the indorsers of these bills, brought suit upon them in the Court of Common Pleas of this county; that Kilbreth applied to the Court to be made a defendant in that action; but he never filed an answer, and the action was subsequently dismissed, it being admitted that Kilbreth, as trustee, and not Dennistoun, Wood & Co., was the owner of the bills. It is claimed that the effect of the dismissal of that action is to bar the present action, and the plaintiff has demurred to that answer as insufficient to constitute a defense.

I think that this answer is clearly bad. If Dennistoun, Wood & Co. did not own the paper, but Kilbreth did, the fact would be sufficient to defeat that action of the plaintiffs, and as it does not appear that Kilbreth filed an answer and cross-petition—in fact, he did not file any plea—setting up that he was the owner, and praying judgment, the dismissal could have no effect on his rights. As the owner of the note he might have said: "I do not wish to sue this matter at present. I intended to delay and seek payment in some other way, if possible." For that reason the action of the Court dismissing the suit can be no bar to the present action, and the demurrer to the first answer will be sustained.

There is a second answer, setting up that the Ohio Life and Trust Company was incorporated by a law of the State of Ohio in 1834, and that its right to take interest was limited to 6 per cent.; that in this instance it took  $7\frac{1}{4}$  per cent. interest, and that it knew at the time that Bates was the mere accommodation acceptor for Reeder & Co., the money going to Reeder & Co., and no part of it to Bates. It is claimed that there was no specific penalty provided in the statute for this, and that for that reason the case is governed by the decision of the Supreme Court in the case of the Bank of Chillicothe *vs.* Swayne et. al. (8 O. S., 257), which settled this proposition of law, that where there was no special remedy provided, a simple restriction merely of authority to take or reserve more than a given rate of interest, the reserving more than that and putting it in form of a note was *ultra vires*, beyond the power of the corporation, and that the note itself was invalid, and could not be recovered upon. It is true that wherever parties obtain the money of the bank, an action will lie for money had and received, but it will only lie against such as receive the money, and who in equity and good conscience ought not to retain it, the evidence of the debt being merely void, and not illegal in any obnoxious or criminal sense.

The act incorporating the Trust Company is found in volume 32, beginning at page 68. The twenty-third section (cited by the Court) gives the

power to lend on notes, or obligations, or such other securities as the said Trustees may require, at a rate of interest not exceeding six per cent. per annum. Nothing is said as to what the effect shall be if they exceed that sum, precisely as was the case of the charter of the Bank of Chillicothe in the Swayne case. But it is claimed by counsel for the plaintiff that there is another provision in the act which does prescribe a particular penalty or effect, and that is the only penalty that can be inflicted, and that the note itself will be good.

These two provisions must be construed together. There is a clear prohibition of a corporate right of power to take over six per cent., and nothing is said as to what will be the effect of usury; but the act goes on and says: "If you do make usury so exorbitant as to exceed seven per cent., it shall be a ground for forfeiting your charter," which could only be done by the Supreme Court on *scire facias*. I therefore do not think that if the rate had been over six and under seven per cent., while the Swayne case would clearly have applied, that the Company can get off by going in excess and taking an amount of usury beyond that of over six and under seven per cent. There is nothing to prevent the application of the ruling in 8 Ohio; and by making it worse it was certainly not intended to give them the advantage of the security.

It is then contended there is another section (twenty-sixth) that helps them. The section can not be construed as conferring on them rights which it would not be lawful for a private individual to exercise. Of course individuals may take over six per cent., the legal rate, and, if there is objection made, the security taken for its payment remains good, and the excess alone is forfeited. But this twenty-sixth section is not an enabling section at all. It was intended to limit, and perhaps was unnecessary by any fair construction of the act; but out of abundant caution it was provided that nothing in the act should be construed as giving the corporation a right to make any contract an individual would not have the right to make. It is said that by the decision of the Supreme Court of this State, under the National Bank Law, and of the Courts of the United States, in their uniform holdings, these provisions in relation to forfeiture should control and distinguish the cases from that in the Eighth Ohio. It is true that a National Bank can not take a higher rate of interest than is authorized by the law of the State where it is located, and all above that is usurious, and the bank would forfeit all the interest reserved, and within two years double the amount may be recovered back if it has been paid. But when that thirtieth section is looked at it will be found that it expressly saves the validity of the note or obligation that is taken. I think the true rule is laid down in *Morse on Banking*: that no one who has borrowed money from a bank, after he has received the benefit of the contract, should be permitted to repudiate the obligation it imposes on him, on the ground that the bank in making the loan exceeded its corporate powers or acted otherwise improperly or illegally, and that "efforts of this nature are usually based on infringements of the charter or organic law, and Courts regard them as directory merely." That ought, according to my judgment, to be the rule of law. In the Chillicothe case the Court decided the other way, and that case, on these points, has been so frequently referred to, and sanctioned by the Supreme Court of the State, that it would be unwarrantable on the part of any tribunal inferior to the Supreme Court to disregard it. By virtue of that decision I hold this second answer is a good defense, and that the demurrer to it must be overruled. If the parties have nothing further, and it seems to be their desire, judgment will be entered for the defendant upon that answer. If they are dissatisfied with the law all they have to do is to go into the Supreme Court and call for a re-examination of the case of the Bank of Chillicothe *vs.* Swayne, decided in 1838, since which time many decisions of other States and of the Federal Courts have been made bearing upon it. If the Supreme Court overrule it and establish the law differently, there will be a recovery. If they maintain the doctrine, we must abide by it. That is the tribunal in which the plaintiff can alone seek relief. I feel myself now bound conclusively by that decision.

## THE TAXATION OF LEGAL TENDERS.

Mr. F. D. Tappen, President of the Gallatin National Bank of New York, has addressed a letter to the Comptroller of the Currency on the subject of the taxation of the legal-tender reserve of the National Banks. Mr. Tappen presents the following view of the case, to which Treasurer New replies as below:

"Now, the Supreme Court decided (in 7 Wallace, 26) that United States notes or legal-tender notes are obligations within the meaning of the Acts exempting United States bonds from State and municipal taxation. Is it not, therefore, a perfectly legal deduction that the legal-tender notes which banks are compelled to retain in their vaults idle as a reserve, and from which, of course, not the slightest profit can accrue to the shareholders, are in law, as in fact, so far as this species of taxation is concerned, Government bonds, and as such as proper a deduction from the average capital or deposits for semi-annual duty as any of the interest-bearing obligations of the United States?"

"Is it not also a fair inference that the words 'beyond the amount invested in United States bonds' refer to the preceding sentences in the section of the National Currency Act imposing the tax or semi-annual duty on circulation, deposits and capital?"

"It appears to me extremely unjust, as I believe it contrary to the spirit, intention and strict interpretation of the law, that we should pay a tax on deposits which we are obliged by law to withhold from use, and which are thus powerless to earn the duty the construction of the law by the Treasury Department has thus far imposed upon them."

TREASURY OF THE UNITED STATES, DIVISION OF NATIONAL BANKS, }  
WASHINGTON, January 8, 1876. }

*F. D. Tappen, Esq., President Gallatin National Bank, New York City.*

SIR: Your letter of the 6th, in relation to the payment of semi-annual duty on deposits including reserve, addressed to the Comptroller of the Currency, has been referred to this office.

Section 5,215, Revised Statutes of the United States, requires that each National Bank shall report the average amount of its deposits for the six months preceding the first day of January and July in each year, to enable the Treasurer to make an assessment of one-quarter of one per cent. on the amount so reported. There is no provision in the law for a deduction of the amount of deposits held as reserve, and, therefore, no authority for authorizing or permitting a deduction, or for receiving any return that does not give the average deposits in full, excepting, of course, the average amount of deposit to the credit of the Treasurer of the United States. It is true, as you state, that the reserve lies idle in the bank, and cannot of itself earn the duty imposed. Nevertheless the fact that there is a reserve enables the bank to make active use of the great bulk of deposits without impairing the confidence of depositors. To keep the reserve is an obligation conceded by the bank in its organization, as a means of securing the benefits that may result from the advantages acquired.

In regard to the decision of the Supreme Court, to which you refer, I do not feel at liberty to interpret it as releasing United States notes from the duty imposed by the Government, or the proportion of such notes the bank may have in reserve, as provided by law. It would require a decision or opinion having direct reference to the question you raise, to secure any change or modification of the ruling heretofore adopted by this department.

I must, therefore, require, under the act as it stands, a report of the average of all deposits, and make the assessment as provided.

Very respectfully,  
J. C. NEW,  
*Treasurer of the United States.*

## BANKING AND FINANCIAL ITEMS.

**NEW BOOKS FOR BANKERS.**—A freshly revised list of standard and recent works upon Finance, Banking and Law, will be found at the end of this number. Among the latter should be named another new and valuable publication: HILLIARD on "The Law of Taxation." Price, \$4.50. A review of this excellent and timely treatise will be given in our next number.

**PETITION AGAINST THE U. S. TAX ON CAPITAL AND DEPOSITS**—A petition has been generally circulated among the banks of this city, asking Congress to abolish the tax on bank capital and deposits, and to so amend the National Currency Act that the expenses of the Redemption Agency in Washington may be paid out of the tax on circulation. This is a movement which well deserves support and encouragement.

**A CENTENNIAL NOTE REDEEMED.**—On January 6th an unknown gentleman called at the office of the Chamberlain of New York City, and presented for payment a Water Works note for eight shillings, issued just one hundred years ago that day. The paper was about the size of a small envelope and brown with age, but was in good preservation, and the print very plain. The following is a copy of the printing on its face:

## NEW YORK WATER WORKS.

This note shall entitle the Bearer to the sum of Eight Shillings, current money of the Colony of New York, payable on demand by the Mayor, Aldermen, and Commonalty of the City of New York, at the office of the Chamberlain of the said city, pursuant to a vote of the said Mayor, Aldermen, and Commonalty of this date. Dated the 6th day of January, in the year of our Lord 1776.

By order of the Corporation.

G. BREWERTON.

On the other side is a rough wood-cut of the ancient pump in common use a century ago. The Chamberlain redeemed the note at once, remarking that the credit of this city must be maintained. It is to be framed for preservation.

**THE BRANCH MINT.**—The report of Dr. Linderman, Director of the Mint, as to the establishment of a Branch Mint at some point in the Mississippi Valley, recommends that it be at Indianapolis, for the reason that in that city alone there is a Government building no longer required for other purposes, which can be utilized without the delay or expense attendant on the construction of a new edifice.

**MR. CHARLES P. LEVERICH**, President of the Bank of New York, died on the evening of January 10th, after a very sudden illness. Mr. Leverich was one of our most prominent bank officers, and held in high esteem for his character and ability. The Directors of the Bank of New York have elected Charles M. Fry President in place of Mr. Leverich, and Henry Oothout Vice-President in place of Mr. Fry.

**SUSPENSION.**—Messrs. Dickinson & Co., stock brokers, of New York city, notified the Stock Exchange, at the opening on January 14th, that they were unable to meet their contracts. They made an assignment for the benefit of their creditors to Franklin H. Carter. The Messrs. Dickinson state that their assets exceed their liabilities, and they hope to soon resume business.

**ALABAMA.**—The Banking House of Fordyce & Rison, at Huntsville, has undergone a change in the retirement of Mr. S. W. Fordyce, and the admission of a new partner, Mr. W. R. Leedy. The new firm began business on 1st of January under the style of W. R. Rison & Co. Their card will be found in the usual place in the present number.

**CALIFORNIA.**—The Pacific Bank of San Francisco has increased its surplus to \$381,849. Its circular to stockholders contains the following sound words: "The managers of the Pacific Bank have never had any confidence in what is often called liberal (but what is more properly termed speculative) banking. They have endeavored to understand and practically to carry out the true rules of banking, believing that 'so long as the banker adheres to sound banking rules, Providence will be a guaranty of his success; but whenever he departs from those rules, Providence will be equally a guaranty of his failure.'"

"This Bank has at all times confined its operations to legitimate banking, and has acted upon the command to *be always ready*. It has at all times kept on hand a percentage of the money of depositors as experience has shown to be sufficient to meet their demands, knowing that when the proper percentage is within the vaults of the bank no run can exhaust the reserve, however scarce coin may be on the outside. True banking consists in so managing an institution as never to invite a run upon it, but to be above suspicion."

**CONNECTICUT.**—Details of a daring bank robbery in Hartford some weeks ago have come to light. A boy entered the private banking-house of W. L. Matson and asked the cashier to see a lady in her carriage at the entrance. Upon returning the cashier found that several thousand dollars' worth of bonds and stocks, and \$4,000 in currency had been taken. Soon after a letter was received from an attorney of New York city, announcing that he was in possession of valuable information. An interview with him was then had, and after negotiations, consent was given to return everything but the money for a consideration of \$1,200, which amount was paid and the property secured.

**GEORGIA.**—The Governor in his message states that the valid bonded debt of the State is \$8,005,500, and that the public credit has steadily continued to improve, and may now be justly considered as firmly re-established.

**KENTUCKY.**—The first annual message of Governor McCreary congratulates the State on its peaceful condition, abundant harvest, and good financial condition. The State debt, October 1, 1875, is stated as \$184,394 outstanding bonds, of which only \$10,349 are due, and which have not been paid because not presented. The other bonds are not due until 1894, '95 and '96. Abundant resources are on hand to meet the debt many times over. Excess of revenue proper over expenses in 1875, \$361,604.

**Louisville.**—The Louisville Clearing-House Association has been organized, and began operations on January 3d, 1876. The membership comprises all the chartered banks in the city, except the Franklin Bank and the Savings Bank of Louisville. Balances are settled by checks of the Manager drawn on the debtor banks. The following are the officers and committees:

President, Thos. L. Barrett; Vice-President, J. H. Lindenger; Manager, Clinton McClarty.

Committee of Management—John B. Smith, Geo. S. Allison, Henry Hurter. Committee of Arbitration—W. B. Hamilton, Charles Tilden, C. N. Warren, R. M. Cunningham, R. S. Veach.

**LOUISIANA.**—Governor Kellogg's message congratulates the people on the hopeful prospects of the State, which he ascribes mainly to the fact that they are now on the threshold of the full fruition of those financial reforms which, at the last election, by the unquestioned vote of the majority of the people, were engrafted on the Constitution of the State.

**THE FINANCES OF MAINE.**—The State Treasurer has made his report for 1875, showing the finances of Maine to be in a sound and healthy condition. The receipts for the year were \$1,568,775. Balance on January 1, 1875, \$322,185. The disbursements for the year were \$1,513,867; cash on hand December 31, 1875, \$377,093. The estimated receipts for 1876 are \$1,671,899, and the expenditures, \$1,553,490. The tax for 1876 will be four mills on the dollar. Not one dollar has been borrowed during the past year.

**MASSACHUSETTS.**—The message of Governor Rice presents the following view of the State finances: "The public debt of the Commonwealth now amounts to nearly thirty-four millions of dollars, showing an apparent increase over the corresponding period last year of about four and a half millions—a larger increase than has been made in any year since the direct expenses for the war ceased.

"It has always been a subject of honorable satisfaction to our fellow-citizens, that the good credit of the State has been maintained through the vicissitudes of peace and war; and the premiums which have from time to time been realized from the sale of its bonds have formed a considerable portion of the Sinking Funds which are so important a security for its loans. The estimates for 1876 are as follows: Ordinary expenditure and payments from the revenue, \$4,960,70; the ordinary revenue of the year, including revenue cash in the treasury, \$3,649,234.

"A State tax of \$1,800,000 or \$2,000,000 will be necessary to meet the estimated deficiency, and leave the treasury at the close of the year with cash in hand sufficient for such calls as may be made upon it before the ordinary revenues of the succeeding year shall begin to be realized."

*The Savings Banks.*—"The returns of the Savings Banks for the last three years show a steady increase in the total amount on deposit; a slight gain in the deposits in 1875 over those made in 1874; and, notwithstanding the prevailing depression in our industries, a smaller amount withdrawn from these institutions in 1875 than in either of the two previous years. The official figures are as follows: In 1873 there were 175 Savings Banks, with a total of deposits of \$202,195,343; in 1874, 179 banks, deposits \$217,452,120; in 1875, 180 banks, deposits \$238,396,584. The total amount deposited during the three years was: In 1873, \$58,846,558; in 1874, \$57,611,608; in 1875, \$59,930,144. The withdrawals in each year were: In 1873, \$50,458,340; in 1874, \$49,696,893; in 1875, \$46,996,036. You will no doubt see that the necessary legislation for protecting the interests of depositors, and of the public, in these institutions exist, or shall be provided."

**MISSOURI.**—The following aggregate report of the condition of the banks in St. Louis (57 in number) on the first day of January, 1876, has been compiled from public and private statements by Mr. E. Chase, Manager of the Clearing-House:

	Capital and Surplus.	Savings and Time Deposits.	Demand Deposits.	Cash and Exchange.	Loans, Dis- counts and Bonds.
7 National Banks .....	7,533,095	1,785,828	7,565,545	3,515,836	13,121,149
31 State Banks .....	10,634,254	11,549,483	15,191,103	7,324,223	28,021,163
38 Clearing-House Banks .....	18,167,349	13,335,311	22,756,648	10,840,059	41,142,312
19 Banks not in Clearing-House..	1,392,193	2,809,026	1,805,436	948,436	4,785,773
57 Banks in St. Louis .....	19,559,542	16,144,337	24,562,084	11,788,495	45,928,085
56 Banks 1st July, 1875 .....	19,510,015	15,443,636	25,703,480	14,542,885	45,309,998
Increase last six months .....	49,527	700,701			618,087
Decrease last six months .....			1,141,396	2,752,390	

On 1st January, 1876, the 7 National Banks report amount of bonds deposited, \$793,400; circulation, \$706,690. On 1st July, 1875, they had bonds, \$1,342,850; circulation, \$1,079,080. Decrease in bonds, \$549,450; in circulation, \$372,390.

*Kansas City.*—In our January number it was intended to be announced that the Kansas City National Bank had gone into liquidation, to be succeeded by a new organization under State charter. The types, however, made it appear that the First National Bank of Kansas City had given up business. This was an error, the First National having no such intention. It continues to prosper under the same management as heretofore, viz.: H. M. Holden, President; E. H. Allen, Vice-President, and M. W. St. Clair, Cashier. Their card will be found at the end of the present number.

**MINNESOTA.**—The balance in the hands of the State Treasurer, December 1, was \$130,245. Both the retiring and the new Governors recommend immediate steps for an honorable adjustment and eventual payment of the obligations of the State involved in the old repudiated State bonds.

**LIABILITY FOR SPECIAL DEPOSITS.**—The depositors in the Wallkill National Bank of Middletown, N. Y., have brought suits against the bank and its receiver to recover for bonds, amounting to \$40,000, left in the bank, and alleged to have been squandered by its officers.

**NEW JERSEY.**—Governor Bedle's message reports the war debt, the only State debt, as amounting to \$1,035,833.28, deducting the sinking fund. The receipts for the year from all sources, outside of the sinking fund, were \$3,414,543.93, and the disbursements, \$3,378,635.69; balance in bank, excepting sinking fund, \$308,769.05.

**OHIO.**—The annual message of Gov. Allen sets forth that the financial condition of the State is good. The total funded debt amounts to \$7,949,920. The local county, city, town, village, and school debts of the State amount to \$25,957,588—an increase of \$4,071,580. The taxable valuations are: Real estate in cities, towns and villages, \$696,883,323; personal property, \$535,660,818; total, \$1,598,575,862—an increase of \$18,196,538.

Governor Hayes, in his inaugural address on Jan. 10, dwelt on the undue increase of municipal debts, and recommended that no such debt be permitted without a vote of the municipality which should in every case include the laying of an additional tax sufficient to pay off the debt in a short time.

**PENNSYLVANIA.**—Governor Hartranft's message reports the net debt of the State as \$13,766,564. He directs special attention to the increasing debts of cities, and recommends the appointment by the Legislature of a commission to consider the subject of municipal government.

**Philadelphia.**—The Centennial National Bank has just been organized, and, with a view to special relations with the Centennial Exposition, will have an office within the grounds of the latter. Its permanent banking house will be on Market street, near the Penn. R. R. Station. The officers are: E. A. Rollins, President; H. M. Lutz, Cashier. Capital, \$300,000.

**RHODE ISLAND.**—The Savings Banks in this State owe depositors \$51,311,330, being \$2,500,000 more than last year. The depositors number 101,635.

**DEAN'S INTEREST AND EQUATION EXPONENTS.**—A new edition (the seventh) of these valuable tables has just been issued by their enterprising publishers, Messrs. L. L. & Moses King, of St. Louis. They afford a remarkably simple, rapid and convenient method of finding interest and of averaging accounts. The price is Five Dollars, post-paid. Orders may be sent to this office.

**THE LONDON CHEQUE BANK,** a description of which appeared in the *BANKER'S MAGAZINE* of October, 1873, is about to wind up its affairs. The *London Times* regrets the step, and says: "In a statement issued lately it was shown that as rapid progress had been made by the Cheque Bank in selling post-checks as was made on the money-order system on its first introduction, and there can be no doubt that the post-check is a safer and much cheaper and more negotiable instrument for transmitting money than the cumbersome and costly post-office order. There is some talk still of re-organizing the bank, but if it cannot be set on foot again the Government might do worse than re-model its money-order business on the Cheque Bank plan."

The idea upon which this bank was formed was that of affording to small, every-day transactions the convenience and safety of checks. It was a good one, and the fate of the institution is to be ascribed to the immovable conservatism of Englishmen. At the last meeting of the stockholders the chairman remarked that, if the scheme had been started in America, the checks by the present time would have covered the continent from one end to the other.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

*(Monthly List; continued from January No., page 579.)*

JANUARY, 1876.

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank and President.</i>	<i>N. Y. Correspondent and Cashier.</i>
CAL....	Santa Barbara.	Santa Barbara Co. Bank..	.....
		W. M. Eddy, <i>Pr.</i>	E. S. Sheffield, <i>Cas.</i>
ILL....	Sumner.....	Lawrence County Bank...	Evans, Peake & Co.
	\$50,000	Jacob May, <i>Pr.</i>	Francis E. Atwood, <i>Cas.</i>
IND....	Colfax.....	Farmers' Bank of Colfax..	.....
		William Powers, <i>Pr.</i>	F. W. Powers, <i>Cas.</i>
"	Sullivan.....	Sullivan County Bank....	Importers & Traders' Nat. Bk.
	\$75,000	William H. Crowder, <i>Pr.</i>	Medford B. Wilson, <i>Cas.</i>
IOWA...	Elgin.....	Citizens' Exchange Bank..	Union National Bank, Chicago.
"	Lawler.....	Kirby & McHugh.....	Ninth National Bank.
"	Dubuque.....	Dubuque County Bank....	Importers & Traders' Nat. Bk.
	\$50,000	William G. Stewart, <i>Pr.</i>	Edward A. Lull, <i>Cas.</i>
KAN....	Paola.....	Miami County Bank.....	Donnell, Lawson & Co.
	\$50,000	J. E. Thayer, <i>Pr.</i>	William Crowell, <i>Cas.</i>
MICH....	Mt. Pleasant..	Hicks, Bennett & Co.....	Fourth National Bank.
"	Nashville.....	Barry, Everts & Co.....	Ninth National Bank.
"	Dowagiac.....	C. T. Lee.....	Ninth National Bank.
MINN...	Rochester.....	Rochester National Bank..	Importers & Traders' Nat. Bk.
	\$50,000	Chas. H. Chadbourn, <i>Pr.</i>	Charles H. Bliss, <i>Cas.</i>
"	St. Paul.....	Marine Bank.....	Ninth National Bank.
		O. B. Turrell, <i>Pr.</i>	C. E. Rittenhouse, <i>Cas.</i>
MO....	Appleton City.	Appleton Savings Bank...	Donnell, Lawson & Co.
		Thos. B. Sutherland, <i>Pr.</i>	William O. Mead, <i>Cas.</i>
"	Versailles.....	Avery & Kelsey.....	Donnell, Lawson & Co.
NEV....	Virginia City..	Agcy., Nev. B. of San Fran.	(Geo. A. King, <i>Agt.</i> )
N. Y....	Whitney's Pt..	Orlo J. Pratt.....	Metropolitan National Bank.
OHIO...	Cincinnati.....	Bk. of Discount & Deposit.	(S. Kuhn & Sons.)
"	Greenfield.....	Bank of Greenfield.....	Third National Bank.
		.....	Amzi J. Wright, <i>Cas.</i>
TEXAS..	Rockdale.....	Wayland & Wheatley.....	National Park Bank.
Wis....	Waupun.....	Henning, C. W.....	.....
"	Janesville.....	Merch. & Mech. Sav. Bk..	.....
"	Milwaukee....	M. Hirsch.....	August Belmont & Co.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

Authorized December 22, 1875, to January 22, 1876.

<i>No.</i>	<i>Name and Place.</i>	<i>President and Cashier.</i>	<i>Capital.</i>	
			<i>Authorized.</i>	<i>Paid.</i>
2316	Rochester National Bank, Rochester, MINN.	Charles H. Chadbourn... Charles H. Bliss.	\$50,000	\$30,000
2317	Centennial National Bank, Philadelphia, PA.	E. A. Rollins..... H. M. Lutz.	300,000	150,000





## DISSOLVED, DISCONTINUED, OR CHANGED.

*(Monthly List, continued from January No., page 577.)*

- New York State Loan & Trust Co., *New York City*; in liquidation.  
 Dickinson & Co., *New York City*; failed.  
 Lancaster, Brown & Co., *New York City*; succeeded by Lancaster, Saunders & Co.
- ALA.... Fordyce & Rison, *Huntsville*; succeeded by W. R. Rison & Co.  
 ARK.... Denton D. Stark & Co., *Fayetteville*; succeeded by William McIlroy.  
 CAL.... Temple & Workman, *Los Angeles*; failed.  
 CONN... William Yale Beach, *New Haven* and *Wallingford*; closed.  
 ILL.... Security Savings Bank, *Chicago*; closed.  
 " .... Wrenn & Brewster, *Chicago*; succeeded by John H. Wrenn & Co.  
 " .... Daniel Steeples, *Casey*; succeeded by the Home Bank.  
 IOWA... Stoddard & Remick, *Red Oak*; succeeded by V. D. Stoddard.  
 LA.... George A. Pike, *Shreveport*; succeeded by S. M. Asher.  
 MICH... Osborn, Perkins & Co., *Hudson*; succeeded by Perkins, Thompson & Co.  
 " .... D. C. Tilden, *Mount Clemens*; assigned.  
 MINN... National Marine Bank, *St. Paul*; succeeded by Marine Bank.  
 " ... Chadbourn Brothers, *Rochester*; succeeded by the Rochester National Bank.  
 OHIO... Larkin, Wright & Co., *Cincinnati*; succeeded by Jos. F. Larkin & Co.  
 " ... Richland National Bank, *Mansfield*; in liquidation.  
 PENN... E. W. Twichell & Son, *Edinboro*; succeeded by Edinboro Savings Bank.  
 " ... Farmers & Mechanics' Bank, *Lebanon*; sold to Dime Savings Bank.  
 TEXAS.. Lewis & Lewis, *Hearne's Station*; succeeded by S. P. Thacker.

---

• **RESPONSIBILITY OF COLLECTING BANKS.**—An important decision was rendered on January 13th, by Judge Wallace, in the U. S. Circuit Court in this city, in the suit of E. A. Kent, Assignee of the Corn Exchange National Bank of Chicago, *vs.* the Dawson National Bank of Wilmington, N. C. In 1873 the Corn Exchange Bank sent for collection to the Dawson Bank a draft on W. H. Wisloall of Wilmington, N. C., for \$1,054. The Dawson Bank forwarded the draft for collection to Messrs. Burbank & Gallagher, bankers in good standing in the latter place. They collected, but could not remit at once on account of the disordered condition of financial relations arising from the panic. Meanwhile they failed. The Dawson Bank acted without commission, and without any agreement for compensation, and claimed that they are not liable, having used due diligence. Judge Wallace decides that they must make good the loss, as they became personally responsible for the draft when it was received by them for collection. In this decision the Judge says: "I know of no exception to the rule that, where one as principal contracts to fulfill a duty toward another, he is liable for any default, whether on his own part or that of those to whom he delegates the duty. The cases where a bailee is not liable for the miscarriage of his agents or servants, are not an exception to the general rule; for these the implied contract is only to exercise ordinary care, and if, in selecting the agents, this duty has been fulfilled, the implied contract is satisfied."

## PUBLIC DEBT OF THE UNITED STATES.

*Recapitulation of the Official Statements (cents omitted).*

## DEBT BEARING INTEREST IN COIN.

	December 1, 1875.	January 1, 1876.
Bonds at six per cent. ....	\$1,033,866,550 ..	\$1,017,615,400
Bonds at five per cent. ....	660,384,750 ..	670,384,750
	<u>\$1,694,251,300</u> ..	<u>\$1,688,000,150</u>

## DEBT BEARING INTEREST IN LAWFUL MONEY.

Navy pension fund at 3 per cent. ....	\$14,000,000 ..	\$14,000,000
Debt on which interest has ceased. ....	22,430,870 ..	22,712,540

## DEBT BEARING NO INTEREST.

Old demand and legal-tender notes ....	\$372,541,479 ..	\$371,896,862
Certificates of deposit .....	42,610,000 ..	35,175,000
Fractional currency .....	42,356,105 ..	44,147,072
Coin certificates .....	19,796,500 ..	31,198,300
	<u>\$477,304,084</u> ..	<u>\$482,417,234</u>
Total debt .....	\$2,207,986,254 ..	\$2,207,129,925
Interest .....	34,960,516 ..	38,819,062
TOTAL DEBT, principal and interest. ....	<u>\$2,242,946,771</u> ..	<u>\$2,245,948,988</u>

## CASH IN THE TREASURY.

Coin. ....	\$70,404,676 ..	\$79,824,448
Currency .....	12,014,962 ..	11,117,344
Special deposit held for redemption of certificates of deposit, as provided by law..	42,610,000 ..	35,175,000
	<u>\$125,029,638</u> ..	<u>\$126,116,792</u>
Debt, less cash in the Treasury, Dec. 1, '75	\$2,117,917,132 ..	.....
Debt, less cash " " Jan. 1, '76	..... ..	\$2,119,832,195
Decrease of debt during the past month..	\$480,078 ..	\$1,915,062
Decrease of debt since June 30, 1875....	10,771,593 ..	8,856,531

## BONDS ISSUED TO THE PACIFIC RAILWAY COMPANIES, INTEREST PAYABLE IN LAWFUL MONEY.

Principal outstanding.....	\$64,623,512 ..	\$64,623,512
Interest accrued and not yet paid.....	1,615,587 ..	1,938,705
Interest paid by the United States.....	28,202,807 ..	28,202,807
Interest repaid by transportation of mails, &c.	6,575,854 ..	6,668,927
Balance of interest paid by the U. S..	<u>\$21,626,953</u> ..	<u>\$21,533,880</u>

## NOTES ON THE MONEY MARKET.

NEW YORK, JANUARY 22, 1876.

*Exchange on London at sixty days' sight, 4'85 a 4'85½, in gold.*

The general aspect of the financial situation is favorable to future low rates of interest. The banks are beginning to accumulate legal tenders; but at the same time they are gaining specie. Thus, the flow of capital is now setting this way, and every thing indicates that the rapid movement towards this city of currency and deposits from the interior will now go on as is usual during the first months of the year. The money market has resumed in part the ease and tranquillity which was somewhat disturbed by the usual activity incident to the close of the year. The banks are receiving currency from the interior every day, and the accumulation of idle capital at this center is increasing the loans on Stock Exchange. Collateral are quoted at 4 to 5 per cent. for Governments, and at 5 to 6 for miscellaneous securities. The Banks are increasing their reserves, as will be seen from the subjoined table. The New York Clearing-House reports as follows:

1875.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Exchanges.
Dec. 27....	\$ 263,683,500	\$ 16,759,900	\$ 40,762,200	\$ 18,950,700	\$ 200,640,800	\$ 357,831,740
Jan. 3....	264,062,500	20,233,300	39,924,900	18,791,000	204,508,100	349,257,633
" 8....	263,044,000	21,149,600	39,328,600	18,595,800	210,820,200	485,551,568
" 15....	261,652,100	23,309,100	44,532,500	18,515,600	216,058,500	447,750,630
" 22....	260,806,900	23,773,200	46,367,900	17,892,000	217,324,200	449,484,689

The Boston Clearing-House statements compare as follows:

1875.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Dec. 27.....	\$ 132,461,300	\$ 842,200	\$ 9,077,000	\$ 77,582,500	\$ 24,826,200
Jan. 3.....	133,570,400	1,526,300	9,333,800	79,446,700	24,920,800
" 8.....	134,546,700	2,518,800	9,223,400	80,899,000	25,312,000
" 15.....	134,769,200	3,119,000	8,664,300	81,321,500	25,419,000

The Philadelphia statements are as follows:

1875.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Dec. 27.....	\$ 58,415,396	\$ 286,454	\$ 12,697,326	\$ 44,481,394	\$ 10,565,180
Jan. 3.....	58,157,107	427,705	13,278,723	46,190,763	10,611,390
" 8.....	56,610,938	639,018	14,363,476	46,326,891	10,632,625
" 15.....	57,121,484	721,268	15,723,207	47,967,658	10,599,141

The Stock market shows considerable strength. Governments are active and strong. The new Fives are selling at 117½ and 118, and the coupons of 1867 at 121. Railroad bonds are in fair demand, and are becoming a favorite investment, some of the best bonds of the dividend-paying roads being held at high prices. The loans negotiated abroad by the Baltimore & Ohio and the Reading Railway Companies have given an impulse to the market for the best railroad securities, and it is expected that foreign capital is more likely this year to invest itself in such securities than ever before. In State securities little is doing. Bank shares are firm, with

small transactions. Railroad shares close with considerable speculative activity, but the business of the month has been light. The following are our usual quotations:

QUOTATIONS:	Dec. 23.	Jan. 3.	Jan. 8.	Jan. 14.	Jan. 21.
Gold.....	113 ..	113 ..	112½ ..	113 ..	118½
U. S. 5-20s, 1867 Coup.	121½ ..	122½ ..	120 ..	121½ ..	121½
U. S. new Fives Coup.	116½ ..	116½ ..	117½ ..	116½ ..	117½
West Union Tel. Co.	72½ ..	74½ ..	75½ ..	75½ ..	76½
N. Y. C. & Hudson R.	103½ ..	104½ ..	104 ..	107½ ..	111½
Lake Shore.....	59½ ..	58½ ..	61½ ..	64 ..	67½
Chicago & Rock Island	103½ ..	104 ..	105½ ..	106½ ..	107½
New Jersey Central...	105 ..	104½ ..	104 ..	104 ..	105
Erie.....	15½ ..	15½ ..	15½ ..	15½ ..	16½
Bills on London.....	4.85a4.89 ..	4.84a4.88 ..	4.85a4.89 ..	4.85a4.89 ..	4.84½a4.89
Call loans.....	6a7 ..	7 ..	5a7 ..	5a6 ..	5a6
Discounts.....	7a9 ..	6a8 ..	6a8 ..	6a8 ..	6a8
Treasury balances, cur.	\$38,374,744 ..	\$37,116,009 ..	\$35,177,837 ..	\$35,429,947 ..	\$36,584,423
Do. do. gold	42,072,865 ..	45,373,600 ..	44,086,394 ..	44,442,203 ..	46,045,609

Gold is quiet but firm. But for several millions of foreign exchange created by the Baltimore & Ohio and Reading loans, the premium, it is supposed, would have gone higher this month, as a clique is said to have been formed for the purpose. Many persons believe that such an advance is probable, even now. They found their expectations on various circumstances which are existing in the market, or threatening. First, they rely on the small supply of cash gold in the market. Secondly, on the continued demand for gold in Europe. Thirdly, on the agitation of the currency question in Congress; and lastly, on the gold necessities of the Treasury. These necessities arise out of the fact that Mr. Bristow has called in 43 millions of bonds for the Sinking Fund during the last twelve months, and that the surplus from taxation does not yield him revenue enough to pay for the whole of these 43 millions of bonds. The surplus of the last fiscal year afforded for this purpose \$13,376,658. For the present year the surplus is estimated at \$29,008,601. If this be realized, Mr. Bristow will have 42 millions of the needful 43 millions, if he can wait till 30th June next, before completing his payments. But this is impossible; part of the amount has been already advanced, and the whole will fall due by the 15th of February, when the Treasury will be liable to be called upon for the whole sum. How the Treasury will obtain the means to pay off these called bonds as they are presented, is a question which is actively discussed in banking circles. We do not expect much difficulty from this source, but there are not a few persons who regard it as likely to cause some changes up and down in the price of gold. At the close of business to-day the quotation was steady at 113. Foreign exchange is firm at 485 to 485½.

The success of the Dominion of Canada in placing a recent loan on the London market shows at how low a rate first-class borrowers can obtain money, and encourages the hope that a portion of our 4 and 4½ per cents may be disposed of in the same quarter. This loan of the Dominion consisted of £1,500,000 at 4 per cent., guaranteed by the English Government payable in 1910, and of £1,000,000 ordinary 4 per cent. Dominion bonds payable in 1905, and subscribers were to take three-fifths of the former and two-fifths of the latter at one price for the two stocks united. Subscriptions were received at and above £98, 12s. for each £100 of bonds, to an amount greatly in excess of the sum called for. At the price named, the sum to be realized from the loan would be £2,465,000, from which must be deducted about £30,000 of interest, accruing before all the installments of the subscription are paid in, leaving the net amount realized about £2,435,000. On this sum an annual interest of £100,000 is payable, besides about £65,000 more at the maturity of the bond, being the difference between the amount realized and the nominal capital of the loan. This sum distributed over the whole period would

make the average expense per annum less than £102,000, or at the rate of less than 4 1-5 per cent. per annum on the net amount realized. The sum borrowed by the Canadian Government is indeed a mere bagatelle when compared with the transactions required to fund our remaining 6 per cent. bonds, and it is impossible to tell how large a quantity of bonds the market would take on terms so favorable. But the experiment is worth trying, and the result will doubtless prove that our four per cent. bonds will be readily taken in.

In the last two years, the countries whose securities sell at the London Stock Exchange have enlarged their debts by \$1,500,000,000. To illustrate this rapid growth, the subjoined table is given of the principal National debts as reported on the 1st of January, 1875. The aggregates are converted into dollars, of five to the pound sterling:

GROWTH OF PUBLIC DEBTS IN TWO YEARS.

Country.	1873.	1875.
France.....	\$ 3,740,000,000	\$ 4,500,000,000
Great Britain.....	3,950,000,000	3,900,000,000
United States.....	2,165,000,000	2,142,000,000
Italy.....	1,800,000,000	1,950,000,000
Spain.....	1,305,000,000	1,875,000,000
Austria.....	1,530,000,000	1,750,000,000
Russia.....	1,775,000,000	1,700,000,000
German Empire, States composing.....	1,040,000,000	1,000,000,000
Turkey.....	620,000,000	675,000,000
India.....	540,000,000	650,000,000
Total.....	\$ 18,465,000,000	\$ 20,142,000,000

The total outstanding circulation of the National Banks, with the amount of bonds deposited in Washington, compare as follows:

Week ending	Notes in circulation.	Bonds for circulation.	Bonds for U. S. deposits.	Total bonds.	Coin in Treasury.	Coin Certificates.
May 22...	\$ 350,012,329	\$ 379,186,900	\$ 15,967,200	\$ 395,154,100	\$ 92,551,522	\$ 20,119,800
June 5....	350,780,279	378,938,900	15,917,200	394,856,100	83,927,204	19,777,200
June 12....	349,257,859	378,176,400	15,942,200	394,118,600	83,603,659	19,248,300
June 19....	348,994,474	376,860,400	15,892,200	392,752,600	77,016,446	19,803,100
June 26....	349,462,839	376,585,600	15,817,200	392,402,800	69,945,673	18,489,700
July 3....	349,285,309	375,735,000	15,792,200	391,527,200		
July 10....	349,735,164	375,333,000	15,792,200	391,125,200	69,608,526	23,673,800
July 17....	351,613,724	375,197,362	15,792,200	392,989,562	68,860,027	23,309,400
July 24....	350,764,469	374,753,362	18,792,200	393,545,562	66,926,937	22,628,300
July 31....	349,835,249	374,894,362	18,792,200	393,686,562		
Aug. 7....	348,937,939	374,927,862	18,792,200	393,720,062	71,953,412	22,657,200
Aug. 14....	349,205,093	374,917,762	18,792,200	393,709,962	70,716,887	19,740,700
Aug. 21....	349,130,000	374,788,762	18,792,200	393,580,962	70,738,807	18,561,000
Aug. 28....	348,725,018	374,531,762	18,792,200	393,323,962	70,223,690	17,510,400
Sept. 4....	348,011,138	373,812,762	18,792,200	392,604,962		
Sept. 11....	347,980,000	373,382,762	18,792,200	392,174,962	66,730,316	16,389,400
Sept. 18....	347,578,483	373,077,762	18,792,200	391,869,962	65,927,109	12,722,400
Sept. 25....	347,720,223	372,150,762	18,792,200	390,942,962	66,924,152	12,435,000
Oct. 2....	346,994,193	371,489,252	18,782,200	390,271,462		
Oct. 9....	346,769,853	369,797,762	18,782,200	388,573,962	68,724,332	12,477,100
Oct. 16....	346,813,776	368,857,212	18,782,200	387,639,412	70,472,506	12,775,600
Oct. 23....	344,458,128	368,119,917	18,760,000	386,879,917	69,070,408	21,562,300
Oct. 30....	346,805,616	367,799,412	18,730,000	386,529,412		
Nov. 6....	345,799,108	366,658,312	18,730,000	385,388,312	72,042,514	16,069,900
Dec. 18....	343,938,278	364,690,112	18,626,500	383,316,612	69,206,263	21,447,000
Jan. 22....	343,253,577	362,108,062	18,626,500	380,734,562	73,200,709	34,429,000

Holland is one of the oldest investing countries, and one of the largest investors in foreign loans. The Dutch investors are reported to hold about \$135,000,000 of

our railroad securities—about one-thirtieth of the entire amount. These securities represent about 2,400 miles of average American railroads. In spite of their apparent want of success in choosing good investments, the Dutch investments in railroad shares have four-fifths of them earned and paid good dividends at some time, and nearly one-half continue to do so. But with bonds their experience is discouraging. These are supposed to be "securities," on which a man may depend for an income; but we see that of the purchases made in Holland, amounting to \$109,540,000, 48 per cent. pays no interest whatsoever, and 4½ per cent. pays less than half as much as was promised.

The earnings of the Central Pacific Railroad in 1875, November and December being estimated, were \$16,891,018 gross, and \$9,716,905 net, against \$14,522,814 gross and \$8,763,498 net in 1874. The earnings for the last year were the largest in the history of the Company, showing an increase over 1874 of \$2,368,204 gross, and \$1,043,406 net. The earnings over operating expenses for 1875 exceeded the entire bonded interest of the Company by more than \$6,000,000.

The London *Times* of January 6th, speaking of the anticipated advance of the Bank rate, thus remarks: "It is tolerably certain that the gold which has gone to the Continent, both to France and Germany, will remain there, at all events for the present, evidence recently having been given us that the Germans are prepared to bid against us should we wish to attract gold, in case of need, from that quarter. At the moment, the Berlin Exchange rather favors the view that gold will continue to be sent thither. As regards France, the forced paper currency is still in operation, and no gold will be parted with by the Bank of France, so that whatever is to be taken must come from the stock that is in private hands, and, to induce them to part with it, the exchange must rise to at least 25f. 40c. from the present point of about 25f. 13c. There is, consequently, no prospect of our being able immediately to increase our stock of the precious metals from anywhere."

Prof. Bonamy Price's book on Currency has just been published by Appleton. It is in part a republication of a revised edition of the lectures on Banking delivered last year in this country. We shall shortly give a review of this interesting work. It contains an exposition of the nature of currency, whether made of metal or paper, by scientific analysis, pointing out its relations to the National wealth, showing when it does and when it does not contribute to its increase, and specifying its connection with banking. Mr. Price discusses the questions, What is a bank? and What does a bank do?—explaining the relations existing between the money market and the wealth of a nation. Although on some points Mr. Price holds opinions at variance with most economists, his knowledge and ability are as well known as his lucid, earnest style.

---

## DEATHS.

At HOPKINTON, MASS., on Thursday, January 20th, aged sixty-eight years, LOVETT H. BOWKER, President of the First National Bank of Hopkinton.

At NEW YORK, on Monday, January 10th, aged sixty-eight years, CHARLES P. LEVERICH, President of the Bank of New York.

THE  
BANKER'S MAGAZINE,  
AND  
Statistical Register.

---

VOLUME X, }  
THIRD SERIES. }

MARCH, 1876.

No. 9.

---

THE NEW GREENBACK ISSUES AND THEIR LEGAL-  
TENDER POWERS.

A question, which is interesting if not novel, has been raised in some quarters of late as to the greenback issues of 1869 and subsequent dates. Much legal ingenuity has been spent upon it, but the difficulty does not seem as yet to have reached its solution. It is stated by Mr. Spaulding as follows in his introduction to the history of the legal-tender paper money: "If a *tender* of the new emission of greenbacks put out by Secretary Boutwell in 1869-70 should be made on an existing contract, it is doubtful whether such tender would be valid, because, four or five years after the close of the war, there did not exist any public necessity for such a forced loan. The revenues were then ample to pay all expenses and leave a surplus, which, under a mistaken policy, was used to *unfund* the public debt, leaving the over-due debt unpaid." In other words, the right of the Treasury is disputed to issue since the war a new series of greenbacks under the legal-tender acts of 1862 and 1863.

To throw some light on this important question, it may be of service to refer to the Report of the Treasurer of the United States just issued. From this document we learn that there are outstanding at the present time three distinct issues of greenbacks. The most recent of these issues is known as the series of 1874. It amounts to \$53,701,897. Next to these is the series of 1869, which amounts to \$284,117,402. Oldest of all is the first issue, of which the outstanding aggregate is now \$37,952,281. To exhibit these aggregates of the three sections of our greenback



currency, we compile the following table, which will be found interesting for many other purposes besides that for which we quote it:

## LEGAL-TENDER ISSUES 30TH JUNE, 1875.

	<i>First issue.</i>		<i>Series of 1869.</i>		<i>Series of 1874.</i>
One dollars.....	\$1,098,741	....	\$14,081,658	....	\$12,237,468
Two dollars .....	1,087,037	....	18,868,056	....	6,389,229
Five dollars .....	6,191,691	....	38,660,562	....	.....
Ten dollars.....	12,693,530	....	60,461,015	....	.....
Twenty dollars .....	11,303,656	....	56,078,386	....	.....
Fifty dollars.....	1,299,925	....	22,105,825	....	7,854,200
One hundred dollars ..	1,888,700	....	29,329,900	....	.....
Five hundred dollars ..	1,155,000	....	2,322,000	....	27,221,000
One thousand dollars..	1,369,000	....	43,075,000	....	.....
Total.....	\$37,952,281	....	*\$284,117,402	....	\$53,701,897

The importance of the question under discussion is now more clearly seen. The first cursory glance at these statistics will serve to show that, if the objectors should prove their case, our currency, and the business of the country which rests on that currency, might be thrown into the most disastrous confusion. If, as they claim, the legal-tender laws do not authorize any of the new issues of greenbacks since the war, then it follows that the 38 millions enumerated in the first column of our table are the only legitimate greenbacks in circulation. It also follows that the 337 millions comprised in the other two columns have not been issued in strict conformity with the requirements of the law.

If this objection were totally new, we might have more difficulty in dealing with it. But it has been refuted many times during the last five or six years. Still it is often revived, and is sometimes heard in the banking and financial circles here and abroad. Hence Mr. Spaulding has done well to give it a place in his history, which treats not only of the progress of our paper money system, but of the changes of public opinion in regard to it from year to year. When we find the statement in the paragraph above quoted, that there is doubt as to the validity of a tender of the new greenbacks, what is meant, we suppose, is, that the Supreme Court of the United States have never been asked to decide this point, and, therefore, the discussion has not been finally set at rest. It is, indeed, notorious that, although for some years the point has been disputed, the objectors have never thought it worth while to bring the dispute to final adjudication. In this they have no doubt acted wisely, for there is not the slightest chance of their succeeding in the establishment of their opinion by the Supreme Court.

It was Mr. Boutwell, we believe, who first determined while Secretary of the Treasury to create the new series of greenbacks of 1869. The precedent was followed by Mr. Bristow in the creation of the later series of 1874. Now, it is not questioned by the objectors that Mr. Boutwell and Mr. Bristow had a perfect

\*Deducting, on account of unknown denominations destroyed in the Chicago fire of 1871, \$135,000 of first issue, and \$865,000 of series of 1869.

right to re-issue the old greenbacks, or to replace them with new ones of the same issue as they became worn out or mutilated. The power to do this, so as to keep the greenback circulation at the outstanding level prescribed by the law, is so positively conferred upon the Secretary by the statutes of 1862 and 1863, that it has never, we believe, been open to serious doubt.

The precise points which the objectors aim to establish are, we believe, first, that Mr. Boutwell, Mr. Bristow, and the other Secretaries of the Treasury, ought to have made no innovations; secondly, that those officers were acting under the old legal-tender laws, and should have contented themselves with renewing and replacing the old issues of greenbacks; thirdly, that by failing to do this the Secretaries of the Treasury created a totally new series of greenbacks without the specific sanction of the law; and, lastly, that, as the greenbacks partake of the nature of bonds of the United States, and have been so declared by the Supreme Court, the legal-tender quality of the notes, and perhaps some of their other powers, have been impaired and weakened by the vicious character of the arrangements under which the greenbacks of 1869 and 1874 were issued.

We need not follow the objections of these acute reasoners into further detail. Enough has been said to show the narrow basis on which the inverted pyramid of their argument rests. Their chief fault is that they take it for granted that the challenged issues of greenbacks were emitted on the sole authority of the three statutes of February 25th, 1862, of July 11th, 1862, and March 3d, 1863, and that there is no other law on the subject. If this had been true, there might have been more of plausibility in the arguments adduced, though we may reasonably doubt whether the objections could even then be sustained. All doubt is removed, however, by the law of 1868, which fully sanctioned the policy of Mr. Boutwell and Mr. Bristow. This statute was passed 4th February, 1868, and seems to have been unaccountably overlooked by the objectors. It is the famous "Act to suspend further reduction of the currency," and declaring that "from and after the passage of this Act the authority of the Secretary to make any reduction of the currency, by retiring or canceling United States notes, shall be, and is hereby suspended; but nothing herein contained shall prevent the cancellation and destruction of mutilated United States notes, and the replacing the same with notes of the same character and amount." Whether there was previously any restriction upon the authority of the Secretary of the Treasury in regard to the powers we have been investigating, it is wholly unnecessary to discuss. With the law of 1868 before us, we see that any such restriction was swept away. As to the expediency of the new series of greenbacks, there may be room for discussion, but their legality within the limits prescribed to the aggregate amount of the greenback circulation seems to be fully established.

## ADVANTAGES OF OUR NATIONAL BANK SYSTEM.

Among the peculiar sources of strength in the system of National Banks there are two which have always been regarded as worthy of special attention. The first consists in the arrangement for publicity in regard to the condition of the banks, and especially of their cash reserves. This safeguard is of the highest importance, and has been secured by a publication at frequent intervals of the sworn statements of the banks in the newspapers. This provision of the National Banking system was copied from the New York Bank law, in which it has been in force ever since the year 1843. In the Act of 18th April of that year, the State Legislature required every bank and banking association to make a quarterly report to the Comptroller of the State Treasury. This report was to be attested on the oaths of the President and Cashier. It contained a statement of the deposits, loans and discounts, specie, circulation and capital, with other particulars to exhibit the actual condition of the banks. The law directed the Comptroller to publish the said reports together in a designated newspaper, accompanied with a summary of the aggregate reports showing in tabular form the total deposits, specie, public securities and private securities, with the capital and circulation of all the banks of the State. Besides this elaborate report published in the State paper, the law required that a separate report of each bank should appear in a newspaper published in the county in which the bank did business. This important statute, we believe, was the first act passed on this continent for the purpose we are considering. It will be found in the New York laws of 1843, chap. 218, p. 299. It has continued in force with various amendments until the present time. One of the most important of these amendments is that of 15th April, 1853, requiring weekly reports from the banks of the city of New York. This important amendment in the law was enacted in consequence partly of the efforts made by the public after the panic of 1847, to enforce publicity upon the banks, and to obtain more frequent information as to the fluctuations in the specie reserves. This statute is in the New York laws of 1853, chap. 250, p. 539. It declares that in addition to the quarterly reports required by law, each bank in the city of New York should publish on the morning of every Tuesday, in a newspaper designated by the Bank Superintendent, a sworn statement of the average amount of its loans and discounts, and of its specie, deposits and circulation. The penalty for neglect to make the statement on two successive weeks was a forfeiture of all banking privileges, and a closing of the bank under the insolvent laws.

In the National Banking system the publication of frequent reports has always been a notable feature. In the National Cur-

rency Law of 1864 quarterly reports and monthly statements of deposits, loans, reserves, and circulation, were prescribed to be made to the Comptroller, together with semi-annual reports to the United States Treasurer, for the purposes of taxation. By the law of 3d March, 1869, the monthly reports were discontinued, and instead of the quarterly reports to the Comptroller, five reports a year to that officer were ordered, and he was invested with "power to call for special reports from any particular association whenever, in his judgment, the same shall be necessary in order to a full and complete knowledge of its condition." The fine for neglect to report was fixed at \$100 "for each day after five days that such bank shall delay to make and transmit any report." Besides these five reports the Comptroller has to receive from each bank a special statement of all its dividends, with the net earnings corresponding thereto, within ten days after each dividend is declared. This law of 1869 made no change in the semi-annual reports for tax purposes to the Treasurer. It thus appears that the reports required by the National Banking system are more full and elaborate than those of our New York system, from which they are in part modeled.

In the Swiss Banking law, a copy of which is given on page 706, some provisions are made for publicity in sections 17 and 18. But it will be observed that these regulations are less complete and efficient than those of our National Banking system. One reason for this inferiority appears to be that the reports of the Swiss banks are not chiefly prescribed for the sake of the general public. They seem rather to be intended to convey information to the bureau of the Government, and afterwards to the "Bundesrath," or Federal Council. This body is a Committee of seven members elected for three years, and holds the executive authority of the Republic. The Swiss reports of the banks are not required to be promptly tabulated for the information of the people generally. In this respect, as in others, their system differs from ours. For, as is well known, nearly all the reports required under our National Banking laws are designed for the information of the business community, and are consequently published by the Comptroller as soon as possible after he receives them. Indeed, any of our readers who may pay a visit to the Comptroller's bureau at Washington, will have cause for surprise at the rapidity and promptness with which he tabulates and gives to the public the complicated statistics of over 2,000 banks which do business under the National Banking system. The German Banking law somewhat resembles that of Switzerland in this part of its arrangements. The Banking law of Italy more closely resembles our own. It publishes monthly statistics, not only of the banks of Italy, but of the savings banks and other credit institutions which issue no circulating notes. In the Banking system of England, as is explained elsewhere, the reports are less elaborate, except for the Bank of England and the other banks of circulation. The deposit banks, through which passes so large a proportion of the business

of Great Britain, make no weekly or monthly reports, and with respect to the half-yearly reports which those institutions do make, the public has to depend for its tabulated statistics on the newspaper press, instead of receiving the statistics in an official form. The London Clearing-House might have rendered distinguished services in this department of financial statistics had it followed the enlightened policy adopted by our Clearing-House from its first establishment. The perfection of our banking statistics in this country is largely due to the labors of the Clearing-Houses in all our large cities.

But these elaborate arrangements for applying the safeguard of publicity to our National Banking system constitute only one of the special expedients by which that system is strengthened and supported. In discussing recently some charges made against our Bank Examiners, we explained how salutary and indispensable is the function devolved upon them. This part of our National Banking safeguards is destined, perhaps, in the near future, to play a more conspicuous part in supporting the system than for some years past. We observe in some quarters a disposition to demand of these officers more than they can do for the prevention of speculation, defalcation, and bad banking. Although their powers are limited and their functions simple, our Bank Examiners occupy a position of great trust, and it is of the highest moment to our National Banking system, and to the financial and commercial interests of the country, that their work should be effectually done. As we approach specie payments, the necessity for looking to the various safeguards of our financial organism will grow rapidly in importance.

---

## THE REPEAL OF THE TAX ON MORTGAGES.

BY DR. GEORGE MARSLAND.

The agitation against the State tax on bank surplus is being carried on with much vigor. It is impossible for any wholesome efforts for fiscal reform to be started in modern times without an extension of their influence far beyond the range of their immediate object and purpose. Hence, we find that a new energy has been imparted to various schemes for effecting a salutary change in our fiscal and financial legislation at Albany. The State tax on the surplus of the banks, against which we have argued so frequently of late, is in reality a subordinate species of the great general class of taxes on capital which have done so much harm, and are now so unpopular. Another species of the same class is the tax on mortgages, for the repeal of which efforts have been conducted with much success in several of the leading States since the war. It is much to be regretted that the vicious principle of imposing a tax upon capital was ever introduced into

our fiscal jurisprudence. In foreign countries this form of taxation, though very ancient, has fallen into discredit and growing disuse. The progress of industry and of wealth has created a multitude of devices by which capital changes its form, and passes from hand to hand so often and so swiftly, that it is quite impossible for the eye of the tax assessor to seize it for assessment, or to attempt to do so without creating abuses of an intolerable character, which are as repulsive to the best interests of the nation as they are hostile to the growth of trade, wealth and freedom.

An effort is making in Albany to obtain a repeal of the tax on mortgages. In advocating this reform we do but claim the just rights of our citizens in this State, according to the enlightened principles of economic science and sound policy. We ask for all owners of real property the right and the privilege of raising money by bond and mortgage on the lowest terms. Those terms are now enhanced by bad taxation. It is notorious that the taxes on mortgages place impediments in the way of borrowing. In this enlightened age all such impediments should be swept away. Mortgage taxes, as every practical man knows, do not oppress the lender. They fall on the borrower. They drive capital away from mortgage investments. They make it more and more difficult every year for our citizens to raise, on fair terms, loans for the improvement of their farms, however great the need. The mortgage tax is a double tax, and the Legislature of this State, we trust, will not allow the present session to close without a repeal of this oppressive and unpopular fiscal burden. It was on this ground of double taxation that the Supreme Court of California in May, 1872, held that mortgages on real estate are not subject to assessment, but are wholly exempt from taxation. This decision is interesting in many points of view. The suit was brought to compel one of the savings banks of San Francisco to pay the local tax on certain mortgages. On the part of the bank it was contended that, by virtue of a clause in the constitution of the State requiring all taxation to be equal and uniform, the assessment of mortgages was unconstitutional and illegal; inasmuch as to tax a house or farm, and then to tax a mortgage thereon, is not equal and uniform taxation, but an unequal and double tax upon the real estate and its owner. The Court decided that this was the correct view of the case, and that "a tax on land at its full value, and a further tax on a debt for money loaned, secured by a mortgage on the land, is in substance and legal effect a double tax on the same property." For it is usual that the borrower, in one way or another, has to pay the tax both on the land and on the mortgage. In this matter he is in the power of the mortgagee. An inexorable law of political economy lays on the borrower the burden of paying the tax on the mortgage debt. "On these premises," said Judge Crockett, in pronouncing the decision of the Court, "and assuming that money, like other articles of commercial value, will command what it is worth in the market, no more and no less, it results

that it is the borrower, and not the lender, who pays the tax on borrowed money, whether secured by mortgage or not. But in the case where the loan is secured by mortgage the borrower is taxed, not only on the mortgaged property, but on the debt which that property represents, and which is held as security for the debt."

Although this is the first judicial decision that has ever undertaken to settle the long dispute as to whether the mortgage tax is a double tax or not, there is abundance of good authority on the same side. The arguments on which the decision is founded were thoroughly discussed during the session of the New York Constitutional Convention of 1867 and 1868. The opinion of that body against mortgage taxation was very positively expressed, and their proposition for repeal was embodied in the new Constitution, which was rejected when submitted to the people for ratification. The same principle was affirmed in 1863 by the New York Commission for the revision of taxes, who held that to tax both the land and the mortgage thereon was double taxation. A careful examination of the chief works on fiscal legislation in England and France has failed to disclose to us any discussion of this question. Our tax system differs from theirs, however, and imposes upon us the obligation of settling this question of double taxation one way or the other, and of establishing it on a permanent basis. No country in Europe assesses heavy taxes on the capitalized value of the real and personal estate of its people. Perhaps no nation in the world but ourselves would submit to such a tax. But, as Montesquieu observed, a republic can do and will bear more severe fiscal experiments than would be safe in a despotism. The absence of taxes on real estate, as we know them, accounts for the fact that the question, whether a mortgage tax is a double tax, seems never to have been once mooted. They have no taxes on mortgages, and have never attempted to derive a revenue from this forbidden source.

It is only fair to say that the erroneous view on this subject is still held in many influential quarters, although it is gradually losing ground. Some years ago the New Jersey Commission in their report recommended that both the land and the mortgage be taxed on their full valuation. Their argument was that in making a mortgage you create an instrument which is property. This property is a new creation, having new obligations. It requires protection from the State, and, therefore, owes tribute for that protection, and for the consequent value it receives from the Government. This singular error has been refuted by the logic of facts. The Legislature of New Jersey have been compelled, in several of their most thriving counties bordering on this city and sharing its wealth, commerce and population, to exempt mortgages from taxation. Since the year 1866, when this exemption was established, the property of the exempted region has grown amazingly. The real estate in those counties has doubled in value. It is to be wished that our own Legislature could be

relied upon to take an equally enlightened course as to the repeal of the tax on mortgages in New York.

The absurd theory that in giving a mortgage you create a new and separate property, having new and distinct obligations to bear fiscal burdens, was also supported by the Connecticut Commission, which adopted the maxim of the New Jersey Commission—that taxing mortgages is not double taxation. They made the following defense of the futile attempt to tax mortgages: “We hold that all property under the shelter of the law should pay tribute for that shelter according to its protected value, without regard to any questions of indebtedness or securities incidentally growing out of it. These questions of indebtedness, erroneous in principle, and offering motives for the creation of fictitious debts for offset, have ever been, and must ever continue to be, a prolific source of dispute and vexation in their adjustment, and continually calling for legislative changes.” Much of this is quite true; but the solution of the difficulty in Connecticut, as in New Jersey, will be found in no other way than by desisting from the impossible, and by exempting mortgages from taxation altogether. To the farmers, there or here, loans on mortgages ought to be free from the burdens which this tax imposes upon their attempts to borrow in their hour of need.

“The tax on mortgages,” it has been said, “is defended, not only by expediency and an enlightened statesmanship, but by the fundamental teachings of fiscal science.” The first part of the charge has often been refuted. Let us see whether the last part of it cannot be easily overthrown. For the principles of fiscal science, we cannot go to a better expositor than Adam Smith. His authority has been undisputed for almost a hundred years, indeed, ever since the first issue of his great work in 1776. The principles of taxation, as he gives them, are these: First, every man should be assessed according to his ability, that is, “in proportion to the revenue which he enjoys under the protection of the State.” Secondly, every tax ought to be so assessed as to be free from uncertainty; it should confer no arbitrary power on the assessor to aggravate the tax upon any obnoxious contributor, or to extort, by the terror of such aggravation, some present or perquisite to himself. The certainty of what each individual ought to pay is a matter of so great importance that a very considerable degree of inequality appears, from the experience of all nations, to be not near so great an evil as a very small degree of uncertainty.” The next principle of taxation refers to the time and the way in which a tax should be collected. This ought to be chosen so that it is most likely to be convenient for the contributor to pay. The fourth principle is more to our purpose, and declares that “every tax ought to be so contrived as to take out, and to keep out, of the pockets of the people as little as possible over and above what it brings into the public treasury.” Such are the four principles of taxation laid down by Adam Smith, and urged with more or less precision by the great teachers



of fiscal science before and since his day. Upon these fundamental maxims our mortgage tax is said to rely for support. How much of reason, and how much of truth, is there in the claims thus made?

By the first of these canons of taxation assessments should press equally on every citizen in proportion to the income that he enjoys under the protection of the Government. This is so much in accordance with the spirit of modern civilization and free government that the fiscal systems of Europe are being remodeled in accordance with it. In this country, Federal taxation, since the war, has received many improvements from the same benign principle, and the work of reform is still going on. It is believed the mortgage tax, as levied in this country, though not the only tax in which Adam Smith's first canon is violated, is the most glaring instance of oppressive double taxation to be found in the fiscal systems of modern times.

The second canon of taxation requires that all the taxes should be certain, and not arbitrary. The amount to be paid, as well as the manner of payment, ought to be clear and plain to the contributor, and to other persons. "Where it is otherwise," says Adam Smith, "every citizen is put more or less in the power of the tax-gatherer. The uncertainty of taxation encourages the insolence, and favors the corruption, of an order of men who are naturally unpopular, even where they are neither insolent nor corrupt."

It would be hard to find in the whole range of fiscal expedients a tax more full of these abuses than that we are now contending against. The arbitrary power with which it arms the assessors would be intolerable amongst a people of lower intellectual and moral development, and whose social life or political institutions were less chastened by publicity than our own. When the fiscal history of the last half century comes to be written, it will be cited as a conspicuous illustration of the diffusion of intelligence and public virtues among the masses of our people, that the checks and balances of our system of government have kept within endurable limits the arbitrary powers incident to the assessment of our State taxes. This objection has been urged, with almost equal force, against other assessments on real and personal property, but it has a special reference and a more powerful application to the tax on mortgages.

So much is this the case that the Hon. Amasa Walker, in his admirable treatise on the Science of Wealth, contends that the principle of assessment on the capitalized value of real and personal estate should be given up, and that, if credits cannot otherwise be freed from oppressive fiscal burdens, the income-tax principle must be adopted as the correct one. This suggestion from so distinguished an authority is the more significant, from the fact that Mr. Walker offers it as a relief from "the hardship that may often result from taxing credits as well as property." The proposed relief, we think, can be had without waiting till we

can substitute an income tax, which would involve an organic revolution in our tax methods. Almost everything that is needful for the relief of the borrowing class of our citizens in this State, is for our Legislature to repeal the mortgage tax without delay.

But we must hasten to the last canons of taxation, which are of a less specific interest. One of these has respect to the time and the manner of assessment and of collection, while the other declares that taxes should not inflict greater exactions, nor be more burdensome to the people, than is beneficial to the Treasury. Some general reforms in both these respects have been urged, and are now before the Legislature. In regard to this particular tax we need only glance at a single fact, which is too well known to need more than a brief reference. It is affirmed that not one-tenth of the mortgages liable to taxation in this State are really found in the tax lists. If this be true, we are driven to one of two alternatives: either nine-tenths of the mortgages are held by insurance companies and savings banks, and are lawfully freed from taxation, or else there is an immense amount of money every year gained from fraud by mortgage holders as a premium for their dishonest tax returns. Statistics show that, after making due allowance for all the mortgages which pay tax, and for all which are legally exempted, there is a very large residue which eludes the assessors and fraudulently escapes taxation.

The renewed energy which has been infused into the efforts for the repeal of the tax on mortgages is one of a numerous body of facts which show that our city banks and bank officers have reason to be gratified with the general results of their agitation against the mischievous tax on bank surplus. Whatever may be their success in the specific instance of bad taxation, against which they contend, they have the satisfaction of knowing that they have stirred up a spirit of inquiry, of investigation, and of fiscal reform, which cannot but bring forth good fruit hereafter. We recommend to the members of Congress, and of the State Legislatures, before whom these important questions have been of late so prominently brought, to consider whether the present time is not a suitable one for beginning to digest into a comprehensive harmonious system the conflicting tax methods of this country. Some suggestive hints on this subject may be derived from the following remarks in Mr. Hilliard's new treatise on the law of taxation:

"In this country, taxation, for the first time perhaps in the history of the world, may be said to have become divided, in the same nation, into two distinct departments, neither having any connection with the other. The founders of the National Government had no more difficult problem to solve, than the investment of that leading badge of sovereignty, the taxing power, so wide in its sweep and so unintermitted in its exercise, at the same time in Congress and in the Legislatures of the several States. Strong effort was made to avoid this difficulty, by restricting Congress to the imposition of duties upon foreign importations; while at the same time some contention was also had, for giving this

power to the States in common with the United States. The latter claim, however, met with comparatively little favor. The topographical extent of the country, even as it then was, and still more as it promised to be in the far-reaching view of the statesmen of that day; its intersection, in all directions, by navigable rivers, and the unequaled opportunities thereby afforded for illicit commerce and evasion of duties,—made a clear case for the exclusive authority of Congress over Custom-House taxation. The collection of revenue by a call upon the States had proved an entire failure; the amount received having, it was said, averaged only three per cent., whereas the lowest estimate should be fifteen per cent. But, in regard to other modes of taxation, both direct (upon land and other permanent property) and indirect (upon articles of consumption), the National power was certainly more questionable. It was even contended that the apparent inconsistency, and probable collision, involved in this joint authority, might lead to the implied inference, that the taxing power of the States was left at the mercy of Congress, which represented the sovereignty of the nation. The objection was also urged, that the General and State governments would select the same objects for taxation, which would inevitably lead to a conflict of precedence. The multiplication, cost, and mutual interference of the respective collecting officers were also relied upon by the opponents of the Constitution. And it was further argued, that Congress would be an unsuitable body to impose an excise tax, as it would not be likely to include individuals having that practical familiarity with the various subjects of taxation, requisite to make the equitable selection and apportionment. These various objections, however, were ably and satisfactorily answered; and at the same time, on the one hand, the insufficiency of Custom-House duties to meet the possible expenses of the Government, more especially in time of war, and, on the other hand, the liability of this form of taxation to abuse by the imposition of excessive duties, were urged as positive arguments for the general power 'to lay and collect taxes, duties, imposts, and excises.' It may be regarded as a practical vindication of both sides of this very important discussion, that the General Government has been *normally* supported by the revenues derived from the Custom-House alone; while a war, neither the nature nor the magnitude of which was foreseen by the founders and champions of the Constitution, has illustrated with solemn emphasis the wisdom that made *exceptional* provision for exceptional emergencies, by an enabling clause as broad as language would admit.

"With reference to taxation upon a State, as in case of the General Government, the State Constitution is of course the primary authority upon which revenue laws depend, and by which they are to be tested. On referring to these constitutions, however, it will be found for the most part that they deal with the subject very concisely, or, as may properly be said, take very much for granted. It seems to be assumed, as part of the common law,—

that is, the common law interpreted by ancient English statutes—that the taxing power is exclusively vested in the legislative branch of the Government; and, on the other hand, that, without specific provisions to that effect, this power, in the hands to which it is intrusted, is, as to form and extent, discretionary and unlimited. In other words, the *people*, through the Legislature, are understood to *tax themselves*, which they may be safely left to do without express constitutional restrictions. The American Revolution was probably rather an assertion of this cardinal privilege, than of the burdensome and impracticable right of sending representatives to a parliament three thousand miles away, over the ocean. There is another safeguard of popular freedom, which is very generally found in the State constitutions. Nearly three centuries ago, Lord Coke remarked, claiming even at that remote period the stamp of antiquity for the usage: ‘It is the ancient, indisputable privilege and right of the House of Commons, that all grants of subsidies or parliamentary aids do begin in their house, and are first bestowed by them.’ Considering that the so-called *upper branch* of an American State Legislature is composed of precisely the same material with the lower branch—the old-fashioned property qualification, which existed in some States, having been generally abolished—and that both branches alike are at the mercy of the sovereign people, the constitutional provision, expressed in slightly varying forms, which runs through the organic law of nearly all the States, that revenue bills shall originate in the House of Representatives, may perhaps be regarded as the expression of an excessive though wholesome jealousy of irresponsible power, rather than as a necessary safeguard against the encroachments of an imaginary peerage or House of Lords. Conformity in this respect with the Constitution of the United States may have had some influence in retaining this provision in the State constitutions, although in few, if any, of the States is there any distinction, like that which exists in the General Government, between Senate and House of Representatives, to justify the clause. The Constitution of Wisconsin provides that any bill may originate in either house. Whether in those city governments, now so numerous throughout the country, invested with almost absolute taxing power within their jurisdiction, and uniformly divided, like the Legislatures, into two distinct bodies, the same caution is used, either in their charters or otherwise, it is foreign from my purpose to inquire.

“It may perhaps be stated as the prevailing constitutional provision in regard to taxes, that they shall be *equal, uniform, reasonable, and proportional*,—some or all of these terms being indiscriminately used to express substantially the same idea. Such a restriction, however, is by no means universal. It has been differently construed in reference to different kinds of taxes, and is generally held not applicable, certainly in its literal sense, to that somewhat recent form of taxation, the assessment of the cost of local improvements upon the owners of lands specially benefited by such improvements. An assessment of this kind is

often held to be not strictly a tax; or, if it is, not to fall within the spirit and intent of statutes which regulate the amount and distribution of ordinary taxes. A clause in the Constitution of Vermont is sufficiently peculiar to justify its full quotation: 'And, previous to any law being made to raise a tax, the purpose for which it is to be raised ought to appear evident to the Legislature to be of more service to the community than the money would be if not collected.' And it may be said that the strong tendency of the public mind now is, to carry out this somewhat *ethical* axiom, and, where opportunity offers by the revision of a constitution, to impose new restrictions upon the Legislature with reference both to the amount and the purposes of any exceptional tax which it may impose or authorize."

---

### THE SINKING FUND.

A bill was lately offered by Mr. Wood, in the House of Representatives, for the abolition of the Sinking Fund. The object of this measure is conservative; but we think it can be reached without any new legislation. Mr. Bristow, as we showed last month, has used up of late the whole surplus of the Treasury in buying bonds for the Sinking Fund. Such a policy, if repeated next year, is expected to cripple the Treasury, and to raise obstacles in the way of specie payments. The Resumption Act of 1875 lays a heavy burden on the Secretary of the Treasury; indeed, the chief pressure of the resumption machinery rests upon the Treasury as its central point of support. To meet this heavy demand upon it, the Treasury should be released as far as possible from all other demands from which it can be set free. Of these demands, the Sinking Fund is one. The bill before us proposes to relieve the pressure by repealing the Sinking Fund laws altogether. A better method of relief has, however, been suggested—namely, to suspend temporarily the buying of new bonds for the Sinking Fund. This brief suspension, if kept up till resumption is achieved, would supersede the necessity of repealing the law, or of destroying the Sinking Fund altogether.

Two questions meet us on the threshold of this discussion:

First—How can the operation of the law be suspended for a time without new legislation for the purpose?

Secondly—Would such a temporary suspension accomplish the purpose of relieving the Treasury during the transition to specie payments?

As to the latter inquiry, there can be but one answer. The sole object of Mr. Wood's act is to prevent embarrassment to the Treasury from the employment of its surplus in the purchase of bonds for the Sinking Fund. Now, if the purchase can be stopped as effectually without new legislation and without repealing the present law, it is evident that the ultimate end in view

will be reached in either case. And if, as we shall presently show, the repealing of the Sinking Fund law would work to the disadvantage of the credit of the Government, there will be an additional reason for avoiding such a repeal, if it be possible.

The whole question turns, therefore, upon the interpretation of the Sinking Fund laws as they stand at present on the statute-book. If these laws require the purchase of thirty millions a year of bonds, and if the preliminaries of resumption are likely to be so exhausting to the Treasury as to leave it no funds for such uses, then the proposed plan falls to the ground, and Mr. Wood's law, or some similar measure of repeal, is inevitable. What we have to do, therefore, is to show that the Sinking Fund law does not demand any new purchase of bonds, and will not do so for some years to come. In proving this proposition, it would be necessary to go back to the close of the war, when the public debt reached its highest point. The total amount was officially reported, 1st September, 1865, at 2,758 millions of dollars; its aggregate to-day is 2,118 millions. It thus appears that we have paid off 640 millions of the principal of the National debt since the close of the war. An easy comparison based on these figures will suffice to show that, in paying off 640 millions of debt, we have complied with all the legitimate demands of the Sinking Fund for some years in the future; in other words, we have paid off our National debt since 1865 to such an extent that we have fulfilled all the obligations created toward the public creditor under the Sinking Fund law, and we have gone so much beyond them, that we have anticipated and prepaid the demands of the next few years. The period fixed for resumption will have elapsed before any further claims can mature. Such is the statement. Let us see how it admits of demonstration.

The Sinking Fund was first established by the Act of 25th February, 1862, which declared that one per cent. of the entire debt of the United States should be paid off every year. No period was fixed for the starting-point of this Sinking Fund, and the law was first put in operation in March, 1869, when Mr. Boutwell adopted the policy of buying bonds, for which he is now in some quarters subjected to so much hostile criticism. Now, if we reckon the Sinking Fund requirements in round numbers as averaging 25 millions a year, we ought, since March, 1869, to have paid off seven years' contribution. This, at 25 millions a year, would amount to 175 millions. On this estimate, the Sinking Fund requirements up to March, 1876, being no more than 175 millions, while we have actually paid off 640 millions, there is an excess of 465 millions.

But there are some persons who contend that this calculation, though correct in the main, should begin earlier. Of these critics, one party maintain that the Sinking Fund should begin to accumulate from the issue of the first bonds under the law of 1862. Another party affirm that the proper date for starting the Sinking Fund was the close of the war in 1865. To meet both objec-

tions, we will select the spring of 1864, which is a point about half way between the two rival periods. Since March, 1864, 12 years have elapsed. Reckoning 25 millions as the average contributions called for by the Sinking Fund for each of these years, the aggregate for the whole period would amount to no more than 300 millions of dollars. Now, inasmuch as this basis of calculation shows that the Sinking Fund ought to have paid off 300 millions of the public debt, and as we have actually paid off 340 millions in excess of this amount, it is clearly demonstrated that 340 millions is the aggregate of anticipated payments. But this excess of 340 millions is sufficient to satisfy all the demands of the Sinking Fund for several years to come.

Such, in brief, are the outlines of the arguments by which it is contended that Mr. Wood's bill, proposing an abolition of the Sinking Fund, is unnecessary for the protection of the Treasury against the drain which would be made upon it by the annual paying off of one per cent. of the whole public debt. In substance, these arguments amount to this: that the Treasury has already paid off its Sinking Fund contribution for several years to come, and that by this means we have rolled away from the path of resumption one of the most formidable obstacles which blocked it up. With regard to the effect of Mr. Wood's bill on the public credit there is little doubt. The Sinking Fund law forms a part of the contract between our Government and those capitalists at home and abroad who hold its bonds. It is a fundamental principle of all moneyed contracts, that the debtor cannot change the terms of a contract without the consent of the creditor. Mr. Wood's bill, by proposing a conspicuous change on a vital point in the terms and conditions of all our public securities, has run counter to a principle which lies at the very foundation of the National credit, and he has done this at the very moment when it is of grave importance for us to sustain the public credit before the world. We have no intention to argue this question in detail. We will simply offer the suggestion that this country is on the eve of important changes in its financial relations with Europe. Never have the National securities of the United States stood higher in the money markets abroad; seldom have our prospects been more promising for obtaining a large influx of that foreign capital which our languishing industries require for their recuperation. Moreover, the nations of Europe have been disposed of late, more seriously than for the previous 30 years, to agitate the enlargement of Sinking Funds and of other expedients for the liquidation of their public debts. In this agitation, the example of the United States has been often appealed to. It would be in the highest degree inexpedient and unjust for us to renounce our own principles, and, at a critical time like the present, to inject a needless and mischievous error into the financial policy of the nation.

---

## CHECKS TO EMIGRATION.

Several months ago we offered comments on the fact that the German Government was taking steps to prevent emigration, and that the same policy was being adopted by England and by some other European countries. These Governments in reversing the old policy which they had for many years adopted, have set in operation forces preventive of emigration not only to this country, but to other countries also, and the official reports of emigration here and abroad show how actively these new checks have worked. There are thus, as we have frequently said, two great general causes to which the decline in immigration into the United States is to be ascribed. First, there is the cause referred to above, and secondly, there is the great falling off in the demand for labor in this country since the panic of 1873. It is highly probable that many years will elapse before the activity of immigration will return to the average level of the last ten years. While, however, the numbers of the European immigrants are likely to continue smaller than formerly, the quality of the immigrant population is said to be exhibiting a notable improvement. More capitalists and skillful master mechanics are reported to be coming to the United States. Heretofore, the European recruits whom we used to receive into our army of industry were mostly laborers, unskilled or little skilled, belonging to the rank and file. Now, however, it would appear that the officers of the army, the captains and organizers of labor, are coming among us in greater numbers than formerly. As these men constitute a more valuable accession to our industrial system, and as skillful mechanics and agriculturists with a little capital are sure of a better prospect of success in this country than anywhere else in the world, it may be anticipated that the movement will go on augmenting. It is to be regretted that the masses of European population should, from any causes beyond their control, be discouraged from seeking a living in this country, where the industrious farmer and the skilled mechanic are so sure of making a home for themselves and their families. But the intelligence of all classes of the people in Germany and in England is so rapidly advancing; that all the efforts made to prevent emigration will have only a partial success.

In confirmation of our statements on this subject, we cite from a well informed correspondent of the *Tribune* the following statement of the present attitude of the Prussian Government towards emigration and emigration agents: "With the Treaty of 1868 the Prussian Government did not, however, surrender all their hostility to emigration. The hinderances placed by the police in the way of intending emigrants whom there was a shadow of excuse for intercepting, continued in full vigor. After the war of 1870, these annoyances were even increased. One result of that war



was a great increase of emigration. The expectations of friend and foe were disappointed. It had always been pretended by the Germans, and apparently conceded by foreigners, that the emigration from this country to the United States was superinduced quite as much by political as by economic causes; that the emigrant was not more earnestly in search of pecuniary gain than of political advantages. In 1848 and the succeeding year many of the persons who left Germany were political refugees. But this was not subsequently true of the great body of emigrants. They were largely peasants abandoning their own scanty acres for a country where land was cheap and abundant, or artisans in search of a remunerative market for their labor. These classes disliked military duty and cared very little for the political grandeur of Germany, but very much for the rate of wages and the amount of taxation. The war, of course, with the additional military and fiscal burdens which it imposed, rather encouraged the movement than the contrary. At the same time military necessities gave the Government a pretext for interfering with its fugitive subjects. Legislation was made to supplement the vigilance of the police. By a law enacted some years since, the Government tried to put a stop to the operations of the so-called emigration agents or runners, who, it was assumed, decoyed away the simple natives with false or exaggerated accounts of Transatlantic prosperity. It was forbidden to entice away German subjects by aid of misrepresentations, and the police were empowered to expel foreigners who were apparently engaged in such work. That this law was enforced is evident from accounts of the expulsion of such agents which have been published from time to time. It may even be inferred that in enforcing the law there was wanting none of that rigor so characteristic of German administrative methods. It appears, however, that even this law is not enough. Under it one would presume that it would be possible to convict almost any agent who gave information at all, of making misrepresentations. An agent might make general statements, almost obvious in their accuracy, but if they were not susceptible of legal proof, they would involve him in the meshes of the law. Lest, however, any means should be wanting to the officers of justice, the Government has now proposed to prohibit all soliciting of emigrants. This novel feature is added to the penal code, which is now before the House, and has been referred to a committee. Persuasion of any sort to emigrate is made a penal offense. If the clause is adopted no person can exercise openly the office of an agent of emigration or colonization, although technically it is not forbidden to recommend routes and settling places to those already resolved to leave. Unfortunately, this discrimination is of little practical value. The agents of rival steamship lines, for instance, could with difficulty keep themselves within the limits of the law. The *Weser Zeitung*, holds that this measure will be ineffective, being shrewd enough to discern that the causes which are depopulating the agricultural regions of Prussia lie too deep for the control of emigration agents."

## THE BANKING SYSTEM OF GREAT BRITAIN.

For several reasons the British banking system is attracting more attention in this country, and is likely to do so for some time to come. The financial movements of Great Britain are closely allied with our own, and there is some probability that banking reforms of an important character will be agitated in the present session of the British Parliament. Indeed a special commission was appointed last year on this subject at the instance of Mr. Goschen, the well-known banker and member for the City of London. A still more important reason is found in the fact that we have arrived at the culmination of the great expansion of industry due to the gold discoveries of 1848. Its effects have been conspicuous all over the world. This economic revolution has greatly enlarged the foreign commerce of the various nationalities; it has covered the earth with railroads, telegraphs, banks and factories; it has created an enormous sum of new wealth; it has started an era of prodigal expenditure both public and private; it has enlarged the armies of the world till they reach the aggregate of seven millions of men; and it has increased the National debts of Christendom by fifteen thousand millions of dollars; in 1848 these debts were 8,500 millions, and to-day we find them reported at 23,500 millions. The important point for our present argument is, that in these stupendous movements of the material forces which have been called into activity during the last quarter of a century, England has become the great financial Clearing-House of the world. On the banking system of England as the great center of the world's business, functions of immense importance devolve. These functions are growing in importance every year. The question, therefore, is a very natural one, Has the British banking system been growing in strength as fast as it has expanded in other ways? Have the power and capacity of the banking machinery augmented in proportion to the new work which the rapid development of commerce and wealth have brought it to do? It is our purpose in this article to offer a few suggestions in elucidation of these important inquiries. And at the outset it is very needful that the reader should form for himself a distinct conception of the British banking system as it really is. This is not so easy a task as it would be if the Government published an annual report of bank statistics, tabulated and arranged for easy reference, as is done in the United States. For the collection and arrangement of such information, the British Board of Trade has defective facilities; and among the reforms of the future an early place should be given to the project of publishing, through quarterly, or half-yearly, or annual reports, the more frequent the better, tabulated statistics showing a few fundamental facts

about the banking system. These facts are, the aggregate sum of the deposits and the cash reserves, of the capital and the surplus, of the profits and the dividends of all the banks in the country. This is a scheme which has often been proposed as a needful compliment to the Peel legislation of 1844 for the Bank of England. From the London *Economist*, the London *Banker's Magazine*, and the Journal of the Statistical Society; from the essays of Mr. Seyd, Mr. Palgrave, and from some other sources, information is accessible of much value about the banks of Great Britain. But for the objects we have in view, the best and latest, as well as the most complete report we have seen, is contained in an elaborate paper by Mr. Thomas Bouchier Moxon, of Stockport. It has the further advantage of being made up to the period of June, 1874, when the tide of bank expansion, which led to the Aberdare panic in England, was just about reaching its highest level. In attempting to answer the question, What is the amount of the capital, of the deposits, and of the reserves of the English banking system?—we shall for the most part follow Mr. Moxon's figures, so far as they seem to us to be confirmed by those of the chief authorities on the subject. We trust some competent statistical writer will continue the work, and give to the world the statistics for subsequent years until the British Board of Trade can be induced to take up this long neglected part of its proper work.

The banking system of England consists of several distinct parts. There are, first, the Bank of England; secondly, the joint-stock banks, and thirdly, the private banks. Leaving out of the account for the present the Scotch and Irish banks, we pass to the three classes of English banks. The paid-up capital of the country joint-stock banks in England at June, 1874, is reported at £19,580,000, besides which these banks had an aggregate surplus of £8,040,000; equal to 41 per cent. upon the capital. The capital of the private bankers is unknown, but it may be omitted from these tables by way of counter-balancing any over-estimate of their deposits. The London joint-stock banks show a capital of £9,250,000, supported by an aggregate surplus of £3,022,000, equal to 33 per cent. The London private bankers are estimated by Mr. Seyd to employ a capital of £15,000,000. The Bank of England return for 1st July, 1874, states the capital at £14,533,000, and the rest or surplus at £3,211,000, which is equal to about 22 per cent. It thus appears that the capital employed by the banking system of England must be at least £58,400,000, plus the surplus of the joint-stock banks, £14,270,000. Hence, the total capital and surplus amounts to £72,670,000, or \$363,350,000.

The Scotch banks report an aggregate capital of about £9,600,000, supported by an aggregate surplus of £3,166,000, which is equal to about 33 per cent. The Irish banks have a capital of nearly £7,000,000, supported by reserves of £2,623,000, equal to 37½ per cent. These figures give the total bankers' capital of the United kingdom as £75,000,000, with a surplus of

£ 20,000,000. The whole sum of the capital and surplus amounts, therefore, to 95 millions sterling, or \$ 475,000,000.

The deposits have been estimated by Mr. Moxon in the following manner: The official reports of 31 country joint-stock banks, at December, 1873, state their capital to be £ 8,327,688; their reserve, £ 3,398,700; their note circulation, £ 612,029; their profits, 1,615,982; and their deposits, £ 70,923,215. On this report the estimate is formed for the 12 banks, whose year ends at the same date, and whose report does not state their deposits. These 12 banks report their capital to be £ 1,738,765; their reserve, £ 853,654; their note circulation, £ 380,951; and their profits, £ 354,116; their total deposits are estimated at about £ 14,700,000. Similarly, 25 banks in June, 1874, report their deposits to be £ 24,649,057; and we estimate the unreported deposits of 13 other banks to be about £ 19,000,000. Only half-year's reports have been obtained of 2 other banks, whose deposits appear to be over £ 3,000,000. Of 12 banks Mr. Moxon has been able to obtain no other particulars than the capital, surplus and circulation; but, assuming that the proportion they bear to the deposits in the case of 83 banks will hold good for these 12 companies, he puts down their deposits as £ 11,350,000. By these successive steps is obtained a total of £ 143,681,566, or \$ 718,407,830, as the aggregate deposits of the 95 country joint-stock banks.

We next come to the deposits of the private country banks, and, as no reports are made by these banks, a more arbitrary course must be adopted. In the interior of England the number of officers of private banks is about half that of the officers of joint-stock banks. We may then state their deposits at a sum equal to half those of the joint-stock banks, or £ 70,000,000. We shall now have a total for the deposits of provincial bankers of £ 213,681,566, or \$ 1,068,407,830.

Passing next to the London joint-stock banks, and allowing for the acceptances of the joint-stock bank, the amount stated at December, 1873, we find from their reports an aggregate of deposits amounting to £ 94,305,000, whilst Mr. Seyd, after careful inquiry, estimates the deposits of the London private bankers in £ 90,000,000, a computation which is confirmed by the fact that these private bankers act as agents for more than half the country joint-stock banks, and for the great majority of the private country banks.

We now leave the banks, and turn to the Discount Companies. Four of these companies, in June, 1874, state their joint resources as follows: capital, £ 2,683,750; reserves, £ 685,000; deposits, £ 23,975,000. Mr. Seyd estimates the total capital of thirty-nine discount houses at £ 7,367,000, which would represent total deposits of about £ 60,000,000. The *Economist's* "Commercial History for 1874," computes the total means of the discount houses at £ 67,440,000, with which the foregoing estimate very closely agrees.

The last department of the British banking system is the savings banks. The deposits in savings banks and post-office banks

of Great Britain are reported at £61,665,000, of which the English banks hold £53,631,000, the Scotch banks £5,042,000, and the Irish banks £2,992,000. Thus the savings banks, as we said, add to the deposits of the banking system an aggregate of £61,665,000, or \$308,325,000.

As we have now explored the various sections of the English banking system, we should be able to state the aggregate, both of the capital and of the deposits, which that system contains. There is, however, one further difficulty to surmount. We must discover, if we can, what proportion of these deposits are duplicated. Every body knows that the country banks keep part of their assets on deposit in London. The Scotch and Irish banks do the same. Moreover, the London banks keep money on deposit with the discount houses, and with the Bank of England. Hence, the same million of deposits from country banks may figure, first, in the aggregates of these country banks; secondly, in the reports of the London banks to which they have been sent; and thirdly, in the Bank of England, in which the London bank has deposited them. It is difficult to decide how much the aggregate of such duplicated deposits amount to, or what deduction should be made in our reports on account of them. Mr. Moxon sets the duplication down at about 35 millions sterling, and he estimates the net deposits of the British banking system at £573,375,000, or \$2,866,875,000. This estimate agrees with those of other writers. In the absence of official figures we may accept those before us as approximately true. It may be interesting to compare these aggregates with the corresponding reports of the United States. From the Comptroller's report, lately issued, we find that the National Banks, the State Banks, the Trust Companies, and the Savings Banks of this country have a total sum of deposits of \$1,870,525,619. It thus appears that the American banking system has about two-thirds of the extent of the English system if we measure both by the standard of their deposits.

We are now ready to proceed a step further, and to inquire into the aggregate resources of the English banks, including their capital, their surplus, and their circulation. Our present inquiry is, How much capital the banks wield in their daily business;—and of course the answer is that they wield, first, their own capital, and, secondly, the capital intrusted to them by their depositors and by their note-holders,—the former of whom accept an inscription on the bank books, and the latter a promissory note of the bank itself, in lieu of actual cash. As to the net deposits of the banks they amount, as shown above, to £573,375,000; the bank capital is set down at £75,000,000, supported by a surplus of £20,000,000. The capital of the discount houses is £7,367,000, and the note circulation is £43,000,000. These figures give us a total of £718,742,000, or \$3,593,710,000. This is the aggregate of resources wielded by the British banking system in the three forms of capital, surplus and circulation.

If we compare this last aggregate with the corresponding totals of our American banking system, we obtain the following figures

deposits, as shown above, \$1,870,525,619; capital and surplus of the National Banks, \$692,150,798; capital and surplus of State Banks, \$84,884,270; ditto of Trust Companies, \$28,821,713. This gives us a total of resources, \$2,676,382,400. It thus appears that the English banking system is worked with a much smaller amount of capital than is required by the American system. If we compare the banking system to a machine, of which the capital is the power and the deposits the weight to be moved, we may say that the English system moves 2,866 millions of deposits with a power of only 362 millions of capital, while we require a lever of 595 millions to move a weight of deposits of 1,870 millions. In other words, the work that is done by one million of capital here is accomplished in the English banking system by \$396,226 in England. We will not analyze this fact any further just now, as it will come up again when we discuss the relative dangers of the two systems of banking.

Before proceeding to the remaining statistics of the English banking system, we must answer an objection. Why, it is asked, cannot as complete statistics be obtained by us for the banks of Great Britain as for those of the United States? The answer is that the laws of the two countries are fundamentally different. The English legislation has received no improvements for thirty years, and previous to that time deposit banking was almost unknown. The American system of legislation, demanding full and frequent reports of the banks for the protection of the public, is of quite recent origin, and would have been wholly unnecessary half a century ago. To show the spirit of the English legislation, we will cite the testimony of two witnesses—that of Sir Robert Peel, the originator of the present law of banking in England, and that of Mr. Thomson Hankey, formerly Governor of the Bank of England, and one of the ablest expounders of the system. Sir Robert Peel, in proposing the law, explained the objects as follows, in May, 1844. He said: "With respect to the banking business of the bank, I propose that it should be governed on precisely the same principles as would regulate any other body dealing with Bank of England notes.

"It is said the Bank of England will not have the means which it has heretofore had of supporting public credit, and of affording assistance to the mercantile world in times of commercial difficulty. Now, in the first place, the means of supporting credit are not means exclusively possessed by banks. All who are possessed of unemployed capital, whether bankers or not, and who can gain an adequate return by the advance of capital, are enabled to afford, and do afford, that aid which it is supposed by some that banks alone are enabled to afford. In the second place, it may be a question whether there be any permanent advantage in the maintenance of private or public credit, unless the means of obtaining it are derived from the *bona fide* advance of capital, and not from a temporary increase of promissory notes issued for a special purpose. Some apprehend that the proposed restrictions

upon issue will diminish the power of the bank to act with energy at the period of monetary crisis and commercial alarm and derangement. But the object of the measure is to prevent (so far as legislation can prevent) the recurrence of those evils from which we suffered in 1825, 1836, and 1839. It is better to prevent the paroxysm than to excite it, and trust to desperate remedies for the means of recovery."

With regard to Mr. Hankey, he expressed the same views twenty years later, and after the law had been tested by the panics of 1847, 1857, and 1866, in each of which revulsions one of the chief principles of the bill had to be suspended for a time. He said: "The great object of the Act of 1844 was to secure at all times, and under every possible contingency, the conversion of every bank-note into gold when presented for payment. This object has been completely successful, and the Directors, as I have already stated, have no voice whatever in the matter. It requires no management, except the general superintendence of a large establishment where those employed have to discharge very responsible duties in dealing daily with large sums in bank-notes and in gold. The effect of the Act has undoubtedly been to secure the possession in this country of a much larger amount of gold than in all probability the Directors would have thought it necessary to hold, with reference merely to the interests of their shareholders. This large stock of gold bearing no interest, and retained merely as a security for the integrity of the bank-note, has been alleged to be an evil; but even if it were, in one way of looking at the question, an evil, it is a very slight one when compared with the enormous benefit secured to the community, that Bank of England notes and sovereigns shall at all times and under all circumstances be maintained at a perfect equality of value. So far, the Act of 1844 has been perfectly successful.

"The remainder of the bank-note circulation consists of notes issued by various Joint Stock and private banking companies in England, Scotland, and Ireland. The mode adopted by Sir Robert Peel in 1845 for securing the convertibility of these issues was based on a different principle: a limit was put on the amount which each bank might issue after 1845, and no new bank of issue could be subsequently opened; and this was considered by him sufficient for the purpose. Certain arrangements were sanctioned by which Bank of England paper could be substituted for other bank-notes, and it was thought probable that these would induce the relinquishment of much of the country bank circulation during the period to which the Act of Sir Robert Peel was limited, when it was contemplated to make fresh arrangements by which in all probability the country bank-note circulation throughout the kingdom would have been extinguished. The amounts of limit of country bank-note circulation under the Acts of 1844 and 1845 were, for England and Wales, £8,689,937; for Scotland, £3,063,000; for Ireland, £6,354,494—Total, £18,107,431. The amount of bank-notes in the kingdom as authorized, independent

of that of the Bank of England, was, on the 30th June, 1866, £16,360,140. The amount actually in circulation was, £14,687,546.

"The whole of this latter amount has been issued without any security for its redemption, and the Government derives no benefit therefrom excepting the stamp duties on the notes, which amount to about £55,000 per annum. It is true that the country note paper has never been made a legal tender, but it is also true that it is practically impossible for an ordinary tradesman in the country to refuse to take such bank-notes as are generally current in the locality. It may very fairly be asked why, if it is considered expedient to allow other banks to issue such an amount of bank paper without giving any security for its payment in gold, the Bank of England should be placed under more stringent regulations. But, in truth, the *issue of bank-notes* and *sovereigns* should be made under the same authority, and equally under Government superintendence; if the Bank of England is continued, as at present, to be the agent for the Government in this matter, and if it can clearly be shown, as I believe it can, that such an arrangement is highly advantageous to the country in an economical point of view, it appears to be only right and wise for Parliament to place the whole bank-note circulation of the country on the like uniform, clear, and intelligible footing."

"As to the management of the banking business by the Bank, it is a subject of great importance. I admit that it is one in which the monetary and commercial world in this country take the greatest interest;—but let me here briefly remark, before entering further into this branch of the subject, that the Act of 1844 never touched the question of management in the most remote manner, beyond requiring, that a weekly statement of assets and liabilities should be published, and this requirement, not imposed on other banks, was only justifiable on the ground, that as long as the Bank of England continued to be the bank of deposit for all Government moneys, it was desirable that the public should have constant means of knowing the general character of its proceedings. Sir Robert Peel stated in 1844 that as the bank was to be free from all responsibility respecting the currency, it should be left perfectly unfettered by any legislative enactments as to its ordinary banking business, trusting as he did that its affairs would be so managed as to continue to command the confidence of the Government and of the country."

It would be easy to multiply our citations on this subject. Enough has been said, however, to answer the inquiry before us, and to show how it has happened that the banking system of Great Britain, though in other respects so good, has no efficient means by which the deposits of all the banks in the country shall be officially tabulated with the other banking statistics which are so fully exhibited to the public in the United States. The bank legislation of England was settled on its present basis at a period anterior to the gold discoveries of 1848, and to the growth of that vast system of deposit banking which the development of



commerce has created. Next month we shall illustrate this subject further by completing our statistics of the banks, so as to show their profits, their reserves, and the distribution of their note circulation. These statistics will suggest, with those above given, many cogent reasons for the opinion which has been much discussed both here and abroad, that a thorough reform of the English banking laws will before long become inevitable. Whether this prediction is destined to prove true or not, it seems probable that the principle of publicity, which has been so useful a safeguard of the banking system in the United States, will be applied in some appropriate and effective way to promote the solvency and the strength of the banks of Great Britain.

---

## INFLATION AND RESUMPTION.

BY GENERAL JAMES A. GARFIELD.\*

[Abridged from the *Atlantic Monthly* for February.]

The inflationists have not been fortunate in augmenting their literary store from the writings and speeches of our early American statesmen. Still they have made vigorous efforts to draft into their service any isolated paragraph that can be made useful for their purpose. So far as I have seen, they have found no comfort in this search except in very short extracts from three of the great leaders of public thought. The first is from a juvenile essay in defense of paper money, written by Benjamin Franklin in 1729, when he was twenty-two years of age. This has been frequently quoted during the last four years. They are not so fond of quoting Franklin, the statesman and philosopher, who after a life-long experience wrote, in 1783, these memorable words: "I lament with you the many mischiefs, the injustice, the corruption of manners, etc., that attend a depreciated currency. It is some consolation to me that I washed my hands of that evil by predicting it in Congress, and proposing means that would have been effectual to prevent it if they had been adopted. Subsequent operations that I have executed demonstrate that my plan was practicable; but it was unfortunately rejected." (Works, x. 9.)

A serious attempt has been made to capture Thomas Jefferson and bring him into the service. The following passage from one of his letters to John W. Eppes (Works, vi. 140) has been paraded through this discussion with all the emphasis of italics, thus: "Bank paper must be suppressed, and the circulating medium

\* This sketch of the History of our paper money is one of the best which has appeared on the subject. It has two peculiar features which have led us to offer an abridgment of its chief statements to our readers. First, it presents the chief facts of our paper money history in a form peculiarly adapted to meet some of the fallacies which have been so diligently promulgated of late by the inflationists; secondly, it supplies several important facts which were necessarily omitted in Mr. Spaulding's History of the legal-tender money, and in our recent article on that excellent work, to which the subjoined pages are a useful supplement. It will be an advantage to young students of the financial question to read both essays together.

must be restored to the nation, to whom it belongs. It is the only fund on which they can rely for loans; it is the only resource which can never fail them, and it is an abundant one for every necessary purpose. Treasury bills bottomed on taxes, bearing or not bearing interest, as may be found necessary, thrown into circulation, will take the place of so much gold or silver, which last, when crowded, will find an efflux into other countries, and thus keep the quantum of medium at its salutary level." This passage was quoted as a strong point for the soft-money men in their campaign documents in Ohio, last fall. They did not find it convenient to quote the great Virginian more fully. When this letter was written, the United States was at war with England, with no friendly nation from whom to obtain loans. The demand for revenue was urgent, and the Treasury was empty. Mr. Jefferson had long been opposed to the State Banks, and he saw that by suppressing them and issuing Treasury notes, with or without interest, the Government could accomplish two things: destroy State Bank currency, and obtain a forced loan, in the form of circulating notes. In enforcing this view, he wrote from Monticello to Mr. Eppes, June 24, 1813: "I am sorry to see our loans begin at so exorbitant an interest. And yet, even at that, you will soon be at the bottom of the loan-bag. Ours is an agricultural nation. . . . In such a nation there is one and only one resource for loans, sufficient to carry them through the expense of a war; and that will always be sufficient, and in the power of an honest Government, punctual in the preservation of its faith. The fund I mean is *the mass of circulating coin*. Every one knows that, although not literally, it is nearly true that every paper dollar emitted banishes a silver one from the circulation. A nation, therefore, making its purchases and payments with bills fitted for circulation, thrusts an equal sum of coin out of circulation. This is equivalent to borrowing that sum; and yet the vendor, receiving payment in a medium as effectual as coin for his purchases or payments, has no claim to interest. . . . In this way I am not without a hope that this great, this sole resource for loans in an agricultural country might yet be recovered for the use of the nation during war; and, if obtained *in perpetuum*, it would always be sufficient to carry us through any war, provided that in the interval between war and war all the outstanding paper should be called in, coin be permitted to flow in again, and to hold the field of circulation until another war should require its yielding place again to the National medium." From this it appears that Jefferson favored the issue of Treasury notes to help us through a war; but he insisted that they should be wholly retired on the return of peace. His three long letters to Eppes are full of powerful and eloquent denunciations of paper money. The soft-money men appeal to Jefferson. We answer them in his own words: "The truth is that capital may be produced by industry, accumulated by economy; but jugglers only will propose to create it by legerdemain tricks of paper money." (Letter to Eppes, Works, vi. 239.)

Their third attempt to elect some eminent statesman as an honorary member of the new school affords a striking illustration of a method too often adopted in our politics. It was very confidently stated by several advocates of soft money that John C. Calhoun had suggested that a paper money, issued directly by the Government and made receivable for all public dues, would be as good a currency as gold and silver. Mr. Hill finally claimed Calhoun's authority in support of his absolute money and printed on pages 56, 57, of his pamphlet a passage from a speech of Calhoun's. Previous to the late elections, this extract was used in the Ohio campaign with much effect, until it was shown that there had been omitted from the passage quoted, these important words: "*leaving its creditors to take it [Treasury note circulation] or gold and silver at their option.*" After this exposure, the great Nullifier was left out of the canvass.

Most of the leading doctrines now held by the soft-money men are old, and have long ago been exploded. All are directly opposed to principles as well established as the theorems of Euclid. Believing that this generation of Americans is not willing to ignore all past experience, and to decide so great an issue as though it were now raised for the first time, we shall attempt to state, in brief compass, the grounds on which the doctrine of hard money rests. Hard money is not to be understood as implying a currency consisting of coin alone (although many have held, with Benton, that no other is safe), but that coin of ascertained weight and fineness, duly stamped and authenticated by the Government, is the only safe standard of money; and that no form of credit-currency is safe unless it be convertible into coin at the will of the holder.

The oldest and perhaps the most dangerous delusion in reference to money is the notion that it is a creation of law; that its value can be fixed and maintained by authority. Yet no error has been more frequently refuted by experience. Every debasement of the coin, and every attempt to force its circulation at a higher rate than the market value of the metal it contains, has been punished by the inevitable disasters that always follow the violation of economic laws. The great parliamentary debate of 1695, on the recoinage of English money, affords an absolute demonstration of the truth that Legislatures cannot repeal the laws of value. Mr. Lowndes, the Secretary of the Treasury, though he held that a debasement of the coinage should be rejected as "dangerous and dishonorable," really believed, as did a large number of members of Parliament, that if, by law, they raised the name of the coin, they would raise its value as money. As Macaulay puts it: "He was not in the least aware that a piece of metal with the king's head on it was a commodity of which the price was governed by the same law which governs the price of a piece of metal fashioned into a spoon or a buckle; and that it was no more in the power of Parliament to make the kingdom richer by calling a crown a pound than to make the kingdom larger by

calling a furlong a mile. He seriously believed, incredible as it may seem, that if the ounce of silver were divided into seven shillings instead of five, foreign nations would sell us their wines and their silks for a smaller number of ounces. He had a considerable following, composed partly of dull men who really believed what he told them, and partly of shrewd men who were perfectly willing to be authorized by law to pay a hundred pounds with eighty." It was this debate that brought forth those masterly essays of John Locke on the nature of money and coin, which still remain as a monument to his genius and an unanswerable demonstration that money obeys the laws of value and is not the creature of arbitrary edicts. At the same time, Sir Isaac Newton was called from those sublime discoveries in science which made his name immortal, to aid the King and Parliament in ascertaining the true basis of money. After the most thorough examination, this great thinker reached the same conclusions. The genius of these two men, aided by the enlightened statesmanship of Montague and Somers, gave the victory to honest money, and preserved the commercial honor of England for a century.

In discussing the use of paper as a representative of actual money, we enter a new branch of political science, namely, the general theory of credit. We shall go astray at once if we fail to perceive the character of this element. Credit is not capital. It is the permission given to one man to use the capital of another. It is not an increase of capital; for the same property cannot be used as capital by both the owner and the borrower of it, at the same time. But credit, if not abused, is a great and beneficent power. By its use the productiveness of capital is greatly increased. A large amount of capital is owned by people who do not desire to employ it in the actual production of wealth. There are many others who are ready and willing to engage in productive enterprise, but have not the necessary capital. Now, if the owners of unemployed capital have confidence in the honesty and skill of the latter class, they lend their capital at a fair rate of interest, and thus the production of wealth will be greatly increased. Frequently, however, the capital loaned is not actually transferred to the borrower, but a written evidence of his title to it is given instead. If this title is transferable it may be used as a substitute for money; for, within certain limits, it has the same purchasing power. When these evidences of credit are in the form of checks and drafts, bills of exchange and promissory notes, they are largely used as substitutes for money, and very greatly facilitate exchanges. But all are based upon confidence, upon belief that they represent truly what they profess to represent—actual capital, measured by real money, to be delivered on demand.

These evidences of credit have become, in modern times, the chief instruments of exchange. The bank has become as indispensable to the exchange of values as the railroad is to the transportation of merchandise. It is the institution of credit by means of which these various substitutes for money are made

available. It has been shown that not less than ninety per cent. of all the exchanges in the United States are accomplished by means of bank credits. The per cent. in England is not less than ninety-five. Money is now the small change of commerce. It is perhaps owing to this fact that many are so dazzled by the brilliant achievements of credit as to forget that it is the shadow of capital, not its substance; that it is the sign, the brilliant sign, but not the thing signified. Let it be constantly borne in mind that the check, the draft, the bill of exchange, the promissory note, are all evidences of debt, of money to be paid. If not, they are fictitious and fraudulent. If the real capital on which they are based be destroyed, they fall with it, and become utterly worthless. If confidence in their prompt payment be impaired, they immediately depreciate in proportion to the distrust.

We have mentioned among these instruments of credit the promissory note. Its character as an evidence of debt is not changed when it comes to us illuminated by the art and mystery of plate-printing. Name it National Bank note, greenback, Bank of England note, or what you will; let it be signed by banker, president, or king, it is none the less an evidence of debt, a promise to pay. It is not money, and no power on earth can make it money. But it is a title to money, a deed for money, and can be made equal to money only when the debtor performs the promise—delivers the property which the deed calls for, pays the debt. When that is done, and when the community knows, by actual test, that it will continue to be done, then, and not till then, this credit-currency will in fact be the honest equivalent of money. Then it will, in large measure, be used in preference to coin, because of its greater convenience, and because the cost of issuing new notes in place of those which are worn and mutilated is much less than the loss which the community suffers by abrasion of the coin. To the extent, therefore, that paper will circulate in place of coin, as a substitute and an equivalent, such circulation is safe, convenient, and economical. And what is the limit of such safe circulation? Economic science has demonstrated, and the uniform experience of nations has proved, that the term which marks that limit, the sole and supreme test of safety, is the exchangeability of such paper for coin, dollar for dollar, at the will of the holder. The smallest increase in volume beyond that limit produces depreciation in the value of each paper dollar. It then requires more of such depreciated dollars to purchase a given quantity of gold or of merchandise than it did before depreciation began. In other words, prices rise in comparison with such currency. The fact that it is made a legal tender for taxes and private debts, does not free it from the inexorable law that increase of volume decreases the value of every part.

It is equally true that an increase of the precious metals, coined or uncoined, decreases their value in comparison with other commodities; but these metals are of such universal currency, on account of their intrinsic value, that they flow to all parts of the

civilized world, and the increase is so widely distributed that it produces but a small increase of prices in any one country. Not so with an inconvertible paper money. It is not of universal currency. It is national, not international. It is non-exportable. The whole effect of its depreciation is felt at home. The level of Salt Lake has risen ten feet during the last thirty years, because it has no outlet. But all the floods of the world have made no perceptible change in the general level of the sea.

The character of inconvertible paper money, the relation of its quantity to its value, and its inevitable depreciation by an increase of volume, were demonstrated in the Bullion Report of 1810, by facts and arguments whose force and conclusiveness have never been shaken. In the great debate that followed, in Parliament and through the press, may be found the counterpart of almost every doctrine and argument which has been advanced in our country since the suspension of specie payments. Then, as now, there were statesmen, doctrinaires, and business men, who insisted that the bank-notes were not depreciated, but that gold had risen in value; who denied that gold coin was any longer the standard of value, and declared that a bank-note was "abstract currency." Castlereagh announced in the House of Commons that the money standard was "*a sense of value in reference to currency as compared with commodities.*" Another soft-money man of that day said: "The standard is neither gold nor silver, but *something set up in the imagination, to be regulated by public opinion.*" Though the doctrines of the Bullion Report were at first voted down in Parliament, they could not be suppressed. With the dogged persistency which characterizes our British neighbors, the debate was kept up for ten years. Every proposition and counter proposition was sifted; the intelligence and conscience of the nation were invoked; the soft-money men were driven from every position they occupied in 1811, and at last the ancient standard was restored. When the Bank redeemed its notes, the difference between the mint price and the market price of bullion disappeared, and the volume of paper money was reduced in the ratio of its former depreciation. During the last half century few Englishmen have risked their reputation for intelligence by denying the doctrines thus established.

These lessons of history cannot be wholly forgotten. I commend to the soft-money men of our time the study of this great debate, and that of 1695. When they have overturned the doctrines of Locke and Newton, and of the Bullion Report, it will be time for them to invite us to follow their new theories. But we need not go abroad to obtain illustrations of the truth that the only cure for depreciation of the currency is convertibility into coin. Our American colonies, our Continental Congress, and our State and National Governments have demonstrated its truth by repeated and calamitous experiments. The fathers who drafted our Constitution believed they had "shut and bolted the door against irredeemable paper money;" and since then no President, no Secre-

tary of the Treasury, has proposed or sanctioned a paper currency, in time of peace, not redeemable in coin at the will of the holder. Search our records from 1787 to 1861, and select from any decade twenty of our most illustrious statesmen, and it will be found that not less than nineteen of them have left on record, in the most energetic language, their solemn protest and warning against the very doctrines we are opposing.

The limits of this article will allow only the briefest statement of the evils that flow from a depreciated currency, evils both to the Government and to the people, which overbalance, a thousand to one, all its real or supposed benefits. The word "dollar" is the substantive word, the fundamental condition, of every contract, of every sale, of every payment, whether at the Treasury or at the stand of the apple woman in the street. The dollar is the gauge that measures every blow of the hammer, every article of merchandise, every exchange of property. Forced by the necessities of war, we substituted for this dollar the printed promise of the Government to pay a dollar. That promise we have not kept. We have suspended payment, and have compelled the citizen to receive dishonored paper in place of money. The representative value of that paper has passed, by thousands of fluctuations, from one hundred cents down to thirty-eight, and back again to ninety. At every change millions of men have suffered loss. In the midst of war, with rising prices and enormous gains, these losses were tolerable. But now, when we are slowly and painfully making our way back to the level of peace, now when the pressure of hard times is upon us, and industry and trade depend for their gains upon small margins of profit, the uncertainty is an intolerable evil. That uncertainty is increased by doubts as to what Congress will do. Men hesitate to invest their capital in business, when a vote in Congress may shrink it by half its value. Still more striking are the evils of such a currency in its effects upon international commerce. Our purchases from and sales to foreign nations amount in the aggregate to one thousand two hundred million dollars per annum, every dollar of which is measured in coin. Those who export our products buy with paper and sell for gold. Our importers buy with gold and sell for paper. Thus the aggregate value of our international exchanges is measured successively by the two standards. The loss occasioned by the fluctuation of these currencies in reference to each other falls wholly on us. We alone use paper as a standard. And who among us bears the loss? The importer, knowing the risk he runs, adds to his prices a sufficient per cent. to insure himself against loss. This addition is charged over from importer to jobber, from jobber to retailer, until its dead weight falls at last upon the laborer who consumes the goods. In the same way the exporter insures himself against loss by marking down the prices he will pay for products to be sent abroad. In all such transactions capital is usually able to take care of itself. The laborer has but one commodity for sale, his day's work. It is his sole reliance. He must

sell it to-day or it is lost forever. What he buys must be bought to-day. He cannot wait till prices fall. He is at the mercy of the market. Buying or selling, the waves of its fluctuations beat against him. Daniel Webster never uttered a more striking truth than when he said, "Of all the contrivances for cheating the laboring classes of mankind, none has been more effectual than that which deludes them with paper money. This is the most effectual of inventions to fertilize the rich man's field by the sweat of the poor man's face."

The cry for currency shows that soft-money men have confounded credit with capital, and vaguely imagine that, if more paper dollars were printed, they could be borrowed without security. In whatever form the new currency be proposed, whether in the so-called absolute money, or in the "interconvertible paper money tokens," as a relief from distress, it is a delusion and a snare. All these schemes are reckless attempts to cut loose from real money—the money known and recognized throughout the world—and to adopt for our standard that which a great gold gambler of Wall street aptly called "phantom gold." Their authors propose a radical and dangerous innovation in our political system. They desire to make the National Treasury a bank of issue, and to place in the control of Congress the vast money power of the nation, to be handled as the whim, the caprice, the necessities, of political parties may dictate. Federalist as Hamilton was, he held that such a power was too great to be centralized in the hands of one body. This goes a hundred leagues beyond any measure of centralization that has yet been adopted or suggested.

In view of the doctrines herein advocated, what shall be said of the present condition of our currency? It is depreciated. Its purchasing power is less than that of real money by about fourteen per cent. Our notes are at a discount; not because the ability of the nation to redeem them is questioned, but partly because its good faith is doubted, and partly because the volume of these notes is too great to circulate at par. What that volume ought to be no man can tell. Convertibility into coin is a perfect test, and is the only test. The duty of the Government to make its currency equal to real money is undeniable and imperative. First, because the public faith is most solemnly pledged, and this alone is a conclusive and unanswerable reason why it should be done. The perfidy of one man, or of a million men, is as nothing compared with the perfidy of a nation. The public faith was the talisman that brought to the Treasury thirty-five hundred million dollars in loans, to save the life of the nation, which was not worth saving if its honor be not also saved. The public faith is our only hope of safety from the dangers that may assail us in the future. The public faith was pledged to redeem these notes in the very act which created them, and the pledge was repeated when each additional issue was ordered. It was again repeated in the Act of 1869, known as the "Act to strengthen the public



credit," and yet again in the Act of 1875, promising redemption in 1879.

Secondly, the Government should make its currency equal to gold, because the material prosperity of its people demands it. Honest dealing between man and man requires it. Just and equal legislation for the people, safety in trade, domestic and foreign, security in business, just distribution of the awards of labor, —none of these are possible until the present false and uncertain standard of value has given place to the real, the certain, the universal standard. Its restoration will hasten the revival of commercial confidence, which is the basis of all sound credit.

Thirdly, public morality demands the re-establishment of our ancient standard. The fever of speculation, which our fluctuating currency has engendered, cannot be allayed till its cause is destroyed. A majority of all the crimes relating to money, that have been committed in public and private life since the war, have grown out of the innumerable opportunities for sudden and inordinate gains which this fluctuation has offered. The gold panic of 1869, which overwhelmed thousands of business men in ruin, and the desperate gambling in gold which is to-day absorbing so many millions of capital that ought to be employed in producing wealth, were made possible only by the difference between paper and gold. Resumption will destroy all that at a blow. It will enable all men to see the real situation of their affairs, and will do much toward dissipating those unreal and fascinating visions of wealth to be won without industry, which have broken the fortunes and ruined the morals of so many active and brilliant citizens.

---

### THE FIRST BANKING LAW OF SWITZERLAND.

In the *BANKER'S MAGAZINE* of September, 1874, we gave a general account of the banking system of Switzerland and its growth, with a table showing the names, capital, circulation and coin reserve of the several banks of issue. The various States or cantons of this sturdy republic have in force many different regulations in respect to the issue of bank-notes. In some of the cantons only certain specified banks are empowered to emit circulation, while in others any private person has a right to issue notes. The want of a general and uniform bank law has been greatly felt, and a bill has at last been elaborated and passed in the *Bundesversammlung*, or Congress of Switzerland, of which we publish the substance below.

The new Constitution of Switzerland, which was adopted about five years since, contains the following provision in Section 39:

"The Confederation may give a general law on the issue and the redemption of bank-notes. But no monopoly in the issue of bank-notes, and no obligation to accept the notes, shall be established."

Under the authority of this Section the "Bundesrath," or Council of States, prepared a bank bill, which is reported to have undergone at the hands of the "Bundesrath," the "Standerath," and the "National Rath," no less than seventeen remodelings before its passage by the Congress.

It will be observed that by the authorizing section above quoted, the legal-tender feature, which is a part of our own National Banking Law, is distinctly and positively forbidden. Nevertheless, Section 13 of the bill prescribes that "every bank of issue, and every branch bank, is obliged to accept the notes of the other banks of issue, so long as they fulfill the obligation of redeeming their notes." It is difficult to understand how provisions so utterly at conflict can be harmonized by law.

For the following abstract of this bill we are indebted to the London *Banker's Magazine* :

CONDITIONS UNDER WHICH NOTES MAY BE ISSUED.

SECTION 1. In the Confederation of Switzerland only such banks are empowered to issue bank-notes as publish a balance-sheet at least once a year, and comply with the rule established by this law.

SEC. 2. The permission to issue bank-notes depends on the Council of States (Bundesrath), and it shall only refuse this permission if the rules established by this law are not complied with.

SEC. 3. Every bank intending the issue of bank-notes must be able to show a paid-up capital of at least half a million of francs. No bank is allowed to issue notes exceeding its paid-up capital, and in no case shall the sum of twelve million of francs be exceeded. Nevertheless the Congress (the Bundesversammlung) may reduce the amount of notes allowed to be issued by the banks.

SEC. 4. The banks of issue are not allowed to give unsecured credit, or to speculate in stocks or merchandise.

SEC. 5. Only notes of 1,000, 500, and 50 francs may be issued.

The issue of 20-franc notes may be granted by a special decree.

All notes are to be manufactured at the expense of the banks of issue by the central office as provided for in Section 17. All notes shall be uniform in size and shape. They must bear the words:—

"Schweizerische Emissionsbanken."

"Banques suisses d'émission."

"Banche soizzere di emissione."

"(Bundesgesetz vom 18 Herbstmonat, 1875.)"

The notes of the different banks are distinguished by the name of the firm, and the signature of the issuing bank. The notes are to be distributed among the banks under the control of the Confederation.

SEC. 6. The Confederation is not responsible for the redemption of the notes issued.

No one besides the banks of issue (Section 13) is obliged to take bank-notes instead of coin.

#### METAL RESERVE FOR NOTES.

SEC. 7. Every bank of issue shall set apart for the redemption of its notes coin to the amount of 40 per cent. of its circulation. This coin shall exclusively serve for the redemption of its notes.

SEC. 8. The note circulation uncovered by coin must be secured by bills or notes of other banks. At least one-third of the bills serving as a security against the note circulation must be payable in Switzerland. Bills serving as security against the note circulation must be payable at four months date; they must bear at least two approved signatures; nevertheless, one signature shall be sufficient for one-third part of these bills, the remaining security being covered by a mortgage.

SEC. 9. In case a bank of issue stops payment, the holders of the notes of that bank have the preference in the redemption of the notes by cash, the notes of other banks, and the amount of the bills in possession of the failing bank. The other assets are to be divided among the note-holders and the other creditors.

#### CIRCULATION AND REDEMPTION OF NOTES.

SEC. 10. Worn notes are not to be re-issued.

SEC. 11. Notes which are torn must be redeemed if the holder produces the principal part of the note, or proves that the part of the note not in his possession has been destroyed. The bank is not obliged to pay on the other part of the redeemed note in case it should afterwards be presented. The former holder of notes lost or entirely destroyed is not empowered to claim indemnification for his loss.

SEC. 12. Every bank is responsible only for the redemption of its own notes. It is obliged to redeem its notes as soon as they are presented. The branch banks are under the same obligation; nevertheless, they may claim in case of need a delay of 24 hours, exclusive of Sundays and lawful holidays.

The holder of a dishonored note may demand process of execution against the bank not fulfilling its obligation of redemption. In cantons in which executions under a statute law concerning bills of exchange are not provided for, the shortest of the other forms of execution is to be used.

SEC. 13. Every bank of issue, and every branch bank, is obliged to accept the notes of the other banks of issue, as long as they fulfill the obligation of redeeming their notes.

SEC. 14. Every bank of issue is obliged to redeem the notes of the other banks of issue as far as the amount of cash in its possession allows, and as long as the banks of issue whose notes are presented fulfill their obligation of redemption. In case the amount of cash in possession of a bank is not large enough for redeeming immediately the notes of another bank, the said bank may claim a delay of, at the utmost, thrice twenty-four hours, in

order to obtain the necessary cash from the bank which issued the presented notes.

In case this respite should be unsuccessful, the afore-mentioned note-holder may, after protest, claim execution against the bank which dishonored its notes. If the holder of dishonored notes claims execution, the bank to which the dishonored notes were first presented shall see that process is issued.

SEC. 15. In case of *vis major*, the Bundesrath may temporarily withdraw the obligation of accepting and redeeming the notes of banks of issue. Nevertheless, no bank of issue may be discharged of the obligation to redeem its own notes.

SEC. 16. Every bank of issue must redeem immediately its own notes accepted by another bank.

The expenses incurred in the remittance of notes, or of the amount with which they are to be redeemed, must be defrayed by the banks which issued those notes.

#### CONTROL OF THE CONFEDERATION.

SEC. 17. For the purpose of facilitating the fulfillment of the aforesaid obligations, and of giving the Confederation a control, the banks of issue shall establish a central office (*centralstelle*) responsible for its actions to the Bundesrath, and the latter is to be represented in the central office.

The following are the principal duties of the aforesaid central office:

a. It has to manufacture the bank-notes, and to distribute them amongst the banks of issue. (Section 5.)

b. It has the superintendence of destroying defective notes, and supplying new ones;

c. It forms a Clearing-House for the mutual exchange of the notes of the banks of issue;

d. It has to furnish the Bundesrath with the reports ordered in Section 18.

The expenses of the *centralstelle* are to be defrayed by the banks of issue according to their amount of issue.

SEC. 18. The banks of issue have to furnish the *centralstelle* with:

a. Their weekly balances;

b. Their monthly balances;

c. Their annual balances.

The *centralstelle* has to prescribe a uniform schedule for these balances. It has to examine and put together these balances, and publishes them with a report on its own transactions.

The *centralstelle* has to report to the Bundesrath on the balances of the banks of issue, and may, in case of need, propose the inspection of certain banks of issue.

SEC. 19. In case a bank of issue has transgressed the regulations laid down in this law, in particular if it has not redeemed its notes in due time, or if the amount of cash, bills, and notes of other banks of issue set apart for the redemption of its notes

(Sec. 8) has sunk under the lawful amount, the Bundesrath is empowered to withdraw the authorization of its issuing notes. The withdrawal, or the reduction of a bank's authorized amount of issue, may also be ordered if an important part of the paid up capital is proved to be lost. But the Bundesversammlung may be appealed to in case of such a decision of the Bundesrath. In every case banks of issue suffering loss may claim to be indemnified at law.

SEC. 20. The Bundesrath will prepare rules concerning the withdrawal of the notes of a bank which may stop payment, or which was disallowed to issue notes by the Confederation, or which has discontinued to issue notes.

SEC. 21. All differences resulting from the issue of notes and cognizant to the civil law, are to be submitted to the tribunal of the Confederation (Bundesgericht).

SEC. 22. The banks of issue have to pay into the exchequer of the Confederation a duty of 2 per cent. on the amount of the issue granted.

#### TRANSITORY REGULATIONS.

SEC. 23. Until six months after this law comes in force, the existing banks of issue have to ask the Bundesrath for powers to issue notes. Six months after a bank has received new notes it is forbidden to issue either its own old notes, or those of the other banks of issue; the old notes must be immediately called in and redeemed.

SEC. 24. The banks which issued notes, but did not receive the permission of issuing notes in future, must call in their old notes. The Bundesrath shall further decide on this above regulation and operation. It may grant a respite of five years, after which all notes must be redeemed.

SEC. 25. The Bundesrath is empowered to execute the regulations established in this law. This law repeals all cantonal regulations on the issue of bank-notes. Notwithstanding that, the regulations concerning the conditions of the "cantonal banks" remains in force, as far as they are not contrary to the regulations established in this law.

SEC. 26. The Bundesrath has to publish this law, and to fix the date on which it is to come in force.

---

[According to the Constitution of Switzerland this bill, having passed the Bundesversammlung, would have become a law on the 21st of January, 1876, unless by that time a demand for its submission to the vote of the people had been made by 30,000 citizens of Switzerland, or eight Cantonal Governments. This right has been claimed by over 30,000 voters, and the bill is therefore to be affirmed or rejected by the popular vote of the nation, which will shortly be taken.—ED. B. M.]

## AUSTRIAN PAPER MONEY AND THE CRISIS OF 1873.

BY DUDLEY P. BAILEY, JR.

Austria, like Russia, has had an interesting and instructive experience with paper money. Austria first tried the experiment towards the close of the Seven Years' War, in 1762; Russia a few years later, in 1769. Both belong to the same economic era. In Austria, the notes though practically State paper, appear to have been nominally bank-notes issued by the old Bank of Vienna, founded in 1703. They bore no interest, were of denominations of from five to one hundred florins, and "were to be taken everywhere in payment." The privilege of convertibility into coin at first possessed by them, was suspended in 1797—the year of bank suspension in England—the issues then amounting to 74.2 millions. The volume of the notes continued to increase and their value to diminish until 1811, when the quantity outstanding was 1,060,793,653 florins, worth from one-eighth to one-twelfth of their nominal value. There was, besides, a great quantity of debased copper coin in circulation. By an Imperial Patent, issued on the 20th of February, 1811, and published March 15, the paper money was reduced to one-fifth of its nominal value, at which rate it was to be withdrawn and exchanged for new redemption notes, called the Vienna value paper money. Of this the Government promised that only enough should be issued to redeem the Bank notes, but subsequently, pressed by fresh necessities, it evaded the promise by issuing anticipation notes, so called because they were issued in anticipation of taxes, but essentially like the redemption notes except in name. The necessities of the Government carried the issues of anticipation notes up to 466,533,088 florins at the beginning of 1816; besides 212,159,750 florins of redemption notes, making the total circulation of Vienna paper money at that date 678,692,838 florins. This was again reduced to two-fifths of its nominal value, thus making two State bankruptcies within a period of five years. For the purpose of withdrawing the paper money, the Austrian National Bank was founded in 1816, with a capital consisting of 100,000 shares, each of 100 florins Convention money (so-called because fixed by Convention between Austria and Bavaria in 1753), and 1,000 florins in the Vienna paper money, making, at the reduced value of the latter, 500 florins a share. Up to 1820 only 50,621 shares had been issued, giving a subscribed capital of 25,310,500 florins. The remaining shares were issued at 800 florins each in 1853, the value of the old shares at that date, carrying the active capital up to about 80,000,000 florins. It is given in 1870 as 90,000,000 florins. By the combined operations of the Bank and the

State, the paper money was reduced to 99 million florins in 1827, and 10 millions in 1840. By the beginning of August, 1853, nearly all the Vienna paper money had been redeemed, and the State owed the Bank for this service 67,693,866 florins, one-half without interest, and one-half at 4 per cent. By Imperial decree of April 27, 1858, this paper money was ordered to be put out of circulation after July 1, 1858, at which date it was to cease to be used either in public offices or private traffic as payment.

The financial embarrassments of Austria were not cured by these operations. Since 1789 every year has showed a deficit except, possibly, 1845, when the authorities figured a small surplus. Successive deficits have increased the debt from 825 millions of florins in 1815 to 987 millions in 1820; 1,084 millions in 1830; 1,250 millions in 1848; 3,010 millions in 1868, and 3,065 millions in 1873, although the Empire was, at the peace of 1866, relieved of the Lombardo-Venetian debt and 35,000,000 florins of its general debt, which were assumed by Italy. The annual interest on the debt has increased from 5,381,000 florins in 1816 to 21,000,000 florins in 1831; 43,369,312 florins in 1842; 49,977,940 florins in 1849; 104,917,013 florins in 1859; 120,872,000 in 1867, and 134,500,000 in 1874. The cost of the military and naval establishments increased from 68,400,000 florins in 1832 to 72,300,000 florins in 1848; 165,100,000 florins in 1849; 116,000,000 florins in 1852; 208,900,000 florins in 1854; 216,000,000 florins in 1855; 105,800,000 florins in 1858, and 97,407,827 in 1874. The total amount of the deficits from 1848 to 1861 are estimated at 1,636 millions of florins, and from 1862 to 1867 inclusive, at 864 millions, making in all 2,500 millions. The efforts of the Bank to relieve the State have constantly interfered with its commercial operations. On the 31st of December, 1847, the Bank had a circulation of 218,971,125 florins, against which it held 70,240,570 florins of specie. In March, 1848, the revolution at Vienna caused a run upon the Bank which compelled it to suspend specie payments, its notes being declared inconvertible by Imperial decree of May 21, 1848. Its circulation in May was reduced to 177,810,520 florins, and its bullion to 21,940,198 florins. Relieved from the obligation to redeem its notes in coin, it made large advances to the Government, the debt of the State to it being increased August 31, 1849, to 220,539,090 florins, while, to do this, it had increased its circulation to 259,349,940 florins, or \$126,100,000, against which it held 27,510,966 of silver. In 1849 the State again resorted to issues of paper money to the extent of 76,717,158 florins, consisting of 3 per cent. notes, Imperial Treasury notes, notes upon the Hungarian revenue, Lombardo-Venetian notes, and mint notes, all except the mint notes having forced currency. The Government issued 88,979,021 florins more of these notes in 1850, and in 1851 53,630,051 florins, making in all 219,326,230 florins. As some of it was in the meantime redeemed and withdrawn, there remained outstanding at the end of May, 1851, 171,915,160 florins, of which 54,544,879 was in the

treasury of the National Bank, leaving in actual circulation 117,370,281 florins, besides 243,991,415 florins of Bank notes, giving a total of paper money in circulation of 361,361,696 florins, or \$175,200,000. The premium on silver was at this time about 30 per cent. At the beginning of 1854 the debt of the State to the Bank had been reduced to 121,710,790 florins, and the latter had increased its silver to 44,881,334 florins, and diminished its circulation to 188,309,217 florins, or \$91,325,000. There were in addition 148,334,658 florins, or \$71,942,000, of State paper money, giving a total paper currency of 336,643,875, or \$163,267,000. The premium on silver was reduced to 22 per cent. The Crimean war, in 1854, created a necessity for increased military expenditures, and involved both the State and the Bank in new difficulties. In consequence of the assistance it afforded to the State, the Bank was compelled to greatly expand its circulation, as shown by the following statement:

Dec. 31.	<i>Claims on the Government. florins.</i>	<i>Specie. florins.</i>	<i>Circulation. florins.</i>	<i>Notes and Bills of Exchange. florins.</i>
1854.....	294,226,495 ..	45,207,083 ..	383,491,000 ..	73,212,203
1855.....	253,175,172 ..	49,410,555 ..	377,880,275 ..	86,764,715
1856.....	212,779,561 ..	87,240,610 ..	380,180,085 ..	84,004,747
1857.....	203,784,354 ..	98,043,021 ..	383,480,789 ..	78,884,734

Thus situated, the Bank was in no condition to grant much assistance to commerce during the crisis of 1857, from which the mercantile community suffered severely.

The years 1857 and 1858 mark an important era in the monetary history of Austria. Previous to 1857 the coinage of the Empire was based upon the Convention florin of 216.5 grains, 833 fine, worth at the rating of silver in our dollar 48.6 cents, and rated in our customs valuation at 48½ cents. By an Imperial decree of September 19, 1857, issued in pursuance of a monetary convention with Germany, the mint pound of 500 grams of fine silver was established as the basis of the coinage. From this were to be coined 45 guldens or florins of the new currency, 9-10 fine silver to 1-10 copper, each weighing 190.5 grains, and worth 46.2 cents at the rating of silver in our old dollar, and 45.3 cents as it is rated in the Trade dollar. Gold was to be coined for commercial purposes, but silver was to be the legal currency of the Empire. This currency was assimilated to that of North Germany, where the mint pound of silver was coined into 30 thalers, so that three gulden Austrian currency were equal to two thalers. It was also assimilated to that of South Germany, where the mint pound was coined into 52½ florins, so that six gulden Austrian currency were equal to seven florins of South Germany.

By a decree of April 27, 1858, it was provided that from and after November 1st, 1858, the new currency should be the only lawful coin, and from that date the use of other kinds of currency were to cease. All transactions, public and private, were to be adjusted after January 1, 1859, to the new currency, obligations



contracted under the former currencies to be discharged in the new at certain fixed rates, after November 1, 1858. Another decree was issued August 30, 1858, providing that the National Bank should from November 1, 1858, only issue notes of 1,000, 100, and 10 florins in the new Austrian currency, and after that date it should redeem its notes on demand in the new coin. One-third of the new notes was to be covered by silver coin or bullion, or in some cases gold, and the balance by legally discounted bills of exchange or other securities. The notes were to be a legal-tender in payment of all debts to the Government, and to private individuals. The old notes in Conventional currency were to be withdrawn as the new were issued, remaining, however, a legal tender at the rate of 100 florins for 105 florins of the new Austrian currency. All notes of 10 florins and upwards of the old currency were to be withdrawn by October 31, 1859, while the notes of 5, 2 and 1 florins were to be reduced to 100,000,000 florins as speedily as possible, the time when they were to be entirely withdrawn being left to be fixed at a future period.

In accordance with the Imperial decree, the Bank resumed specie payments November 1, 1858, after a suspension of over ten years. Its metallic reserve, including foreign bills of exchange, amounted to about 130,000,000 florins. The operation appears to have caused some pressure upon the bank at first, but by the close of the year matters began to move more smoothly. By the last published statement, previous to December 31, 1858, the specie and bars in its vaults amounted to 100,406,490 florins, against 385,026,597 florins of notes in circulation, making, with 150,000,000 florins of State paper money then in circulation, a total of, 535,026,597 florins. Had the period been one of political and financial tranquillity the experiment might have succeeded, but with so large a portion of its funds locked up in advances to the State, the bank was in no condition to maintain specie payment in the face of any serious pressure. Early in 1859 it became apparent that the struggle for the liberation of Italy, which had ended in defeat ten years before, was about to be renewed, and that in this contest France was to be the ally of Italy. The bank found itself seriously affected by the events of the period, and on the commencement of the Italian war, April 29, 1859, an Imperial decree authorized the bank to do openly what it had for some time done secretly, to refuse to cash its notes, and in compensation this same decree forced the bank to advance 133,000,000 florins on a loan of 200,000,000 florins which the Government was then contracting. In addition to this advance in paper, the bank loaned the Government at different times 20,000,000 florins in specie. The State deficit of 1859 was 256,638,437 florins, and in consequence of the assistance which the bank had to afford the State, it was obliged to increase its circulation while contracting its banking operations proper. The increase of its notes and the decrease of its specie was accompanied by a rapid depreciation in the value of the former, as shown by the following official statement of the condition of the bank at different dates, beginning with January 1, 1859:

	<i>Bullion. Florins.</i>	<i>Bank-Notes. Florins.</i>	<i>Discounts &amp; Advances. Florins.</i>	<i>Dis't on B'k-notes. Per cent.</i>
January 1, 1859.....	105,000,000	387,000,000	.....	1
April " .....	105,000,000	382,000,000	.....	5
May " .....	101,000,000	376,000,000	.....	31
June " .....	90,000,000	429,000,000	.....	42
July " .....	79,000,000	453,000,000	.....	39
August " .....	76,000,000	466,000,000	.....	16
September " .....	77,000,000	478,000,000	.....	16
December " .....	79,000,000	474,000,000	95,318,681	24
January 1, 1860.....	80,000,000	466,000,000	.....	23
January 30, " .....	80,254,962	463,717,707	86,567,287	33

The great increase in the discount in May was due to the commencement of the war on the 29th of April. The reverses of the Austrians caused a still further increase in June, while in July, though Austria had in the previous month suffered two great defeats, at Magenta and Solferino, there began to be a prospect either of peace, or assistance from Germany, so that the discount diminished somewhat, while the conclusion of peace in July brought it down to 16 per cent. in August, from which it increased with more regularity as the result of the overissues.

The recovery of the bank was slow. At the beginning of 1861 exchange at London on Vienna stood at 15.4 florins to the pound sterling, indicating a discount of about 32 per cent. At the beginning of 1862 the notes of the bank in circulation amounted to 475,182,853 florins, its coin and bullion to 99,148,381 florins, deposits to 99,646,692 florins, and the depreciation of its notes as indicated by the course of exchange at London on Vienna was about 27 per cent. In December, 1862, a Bank act was passed peremptorily enacting the resumption of cash payments on the 1st of January, 1867, metal to be in the meantime gradually substituted for the small notes. This had so favorable an effect that in January, 1863, the discount was reduced to only 6 per cent. The floating debt of the State to the Bank, which stood at 212,872,195 florins, during the whole year 1861, was reduced to 192,589,931 florins on the 31st of October, 1862; 159,072,213 florins on the 31st of December, 1863; and about 140,000,000 florins at the end of 1864. The funded debt of the State to the Bank amounted at the beginning of 1863 to about 40,000,000 florins more. By means of these repayments the Bank was enabled to reduce its circulation at the end of 1864 to 375,828,020, and to increase its specie to 117,363,718 florins.

This favorable condition of the Austrian currency was not to be of long duration. The war with Prussia in 1866 gave rise to fresh issues of paper, and postponed indefinitely the resumption of specie payments. By an Imperial decree of May 5, 1866, the one and five-florin notes of the Bank were declared to be State notes, and a legal tender for all debts public or private, except as otherwise provided by law. The Bank notes in circulation at this time are stated to have been 343,597,316 florins, and the one and five florin notes 112,000,000 florins, and it was decreed that the latter might be increased to 150,000,000 florins. By the Bank

statement of July 31, 1866, the circulation consisted of 361,770,471 florins, besides one and five florin notes to the amount of 150,000,000 florins, giving a total of 511,770,471 florins, or \$236,437,000. Early in July the discount, as indicated by the exchanges, had risen to about 19 per cent., and in January, 1867, to about 21 per cent. The State deficit increased to 436,600,000 florins in 1866, and was 120,000,000 florins in 1867, and the issues of State paper money greatly exceeded the 150,000,000 florins of one and five florin notes of the Bank provided by the decree of May 5, and amounted on the 31st of December, 1866, to 325,496,934 florins, or \$150,379,000. One year later, there were in circulation, of bank-notes circulated by the State, 39,712,640 florins, and State notes proper 261,424,047 florins; in all, 301,136,687 florins, besides 11,999,752 florins of fractional currency; making 313,136,439 florins, comprised in the common debt of the Empire. There were also 109,672,043 florins interest-bearing, and 2,404,960 florins non-interest-bearing State notes; making together 112,077,003 florins embraced in the Cisleithan debt. The whole volume of State paper money amounted at this date to 425,213,442 florins, or \$196,448,000. The discount, as indicated by the course of the London exchange, was reduced to about 15 per cent.

Soon after this, a minor reform was effected, in substituting silver coins of ten and twenty kreutzers (4·6 and 9·2 cents) for the fractional currency previously in circulation, consisting of a paper obligation of 10 kreutzers; so small that it could not be readily handled, and soon becoming defaced and torn.

Among the most serious evils connected with an inconvertible paper currency, especially of Government legal-tender notes, is its tendency to involve nations in bankruptcy and repudiation. In Austria, the use of depreciated paper money has become chronic, and her history has been marked by repeated bankruptcies and breaches of faith,—a natural result of increasing the expenditure and debt to an insupportable degree, by paying out a currency which is worth the least in times of disturbance, when the payments are at their maximum, and which, by its improvement on the return of better times, imposes an additional burden in providing for the debts thus created. The annual interest on the debt of Austria at this time absorbed about 30 per cent. of the annual revenues, and about 2 per cent. of the annual income of the people. The Government yielded to the temptation to lighten the public burdens by an act of bad faith, which is likely in the end to prove a costly relief. On the 30th of June, 1868, an Imperial decree was issued providing that the public debt, except the paper money and certain specified securities, should be converted into bonds bearing interest at 5 per cent., this interest to be taxed at the rate of 16 per cent., while the interest on certain other loans not convertible into the new bonds was to be taxed at the rate of 20 per cent. The bondholders protested in vain against this confiscation of from one-sixth to one-fifth of the interest promised to them.

*(To be concluded in April Number.)*

## LEGAL INTEREST AMONG THE ROMANS.

BY M. DU MESNEL-MARIGNY.

[*Translated from the Journal des Economistes for the BANKER'S MAGAZINE.*]

In treating of the rate for loans of money at Rome, as fixed in the year B. C. 451, by the law of the Twelve Tables, modern commentators upon the ancient historians have made a serious mistake. Almost all of them say that the annual rate was only one per cent., while in reality it was 12 per cent. The question is a delicate and difficult one, and after the details which we shall give, it will be easily seen that we cannot too carefully consider it; but we hope to bring for its solution some decisive reasons. The inaccuracy of many of the valuations relating to the financial customs of the past is easily explained by the fact that the interpreters of antiquity have until lately neglected a little too much the study of economic science. Many considerations speak in our favor. Is it reasonable to suppose that the legislators of any people could succeed in reducing the rate of interest to one per cent. per annum? Who can entertain a doubt that, in consideration of the risk which the lender always runs of not being repaid, it would be infinitely more to his interest to keep his capital than to lend it at such a low rate of interest? That any one would deposit money in a bank, exacting no more than 2 per cent., 1 per cent., or  $1\frac{1}{2}$  per cent. per year, on condition of having the power to withdraw a part, or even the whole, at a moment's notice, is conceivable and even quite usual. But such a loan as this when made, not to a bank, but to private individuals, who would immediately pay away all they had just received, would be an impossibility. For how could such a borrower repay his loan on demand?

We can understand the lending of money without any interest. It is a work of friendship or of charity. It may be the result of a divine precept, and become a blessing. But was it in this spirit that the Romans acted in sending Commissioners to Greece to make out a new code? By no means; it was only a question of the material service it could render. Neither was it in fixing the interest at the maximum rate of one per cent. that the religious or humane purposes of which we have spoken could have been reached. According to Livy, during the troubles excited by Manlius in the year B. C. 382, a centurion declared that "while he fought to regain his overthrown Penates, the principal of his debt already paid several times over would be swallowed up in the interest." Could such a thing be if the interest was not more than one per cent.? Still further. In the year B. C. 345, a sedition provoked by the legal rate of interest having

broken out, the Consuls, Manlius Torquatus and Caius Plantius, reduced the rate to one-half of what it had been. From which our opponents conclude, without hesitation, that the legal interest was reduced to one-half per cent. per annum. What mockery! Would that have been indeed a brilliant success for the people, a great advantage which they would have gained by their revolution? A diminution of one-half per cent. in the rate of interest! Would that be sufficient to pacify them? But on our principle this measure is readily explained, inasmuch as it reduced the legal rate of interest from 12 to 6 per cent. I might still further add that the laws of the Twelve Tables having been copied from the laws and customs of Greece, it is not to be supposed that they would have reduced to one per cent. a year, the interest on loans of actual cash, when it is notorious that in Greece, during the same period, investments in real estate paid from 12 to 18 per cent., and maritime interest ranged from 30 to 40 per cent. and upward.

How could it possibly have happened, moreover, that the laws should be so merciful to the borrower as to fix the rate of interest at one per cent., when in case of any delay in the fulfillment of his promise to pay, this very law gave him up to the severity of his greedy creditors, empowering them to imprison him or sell him as a slave, to torture him or even to mutilate him. But let us examine the law itself, and we shall see that its interpretation justifies perfectly the sense which we have given it. The law of the Twelve Tables is thus expressed: "If any one in a loan shall deduct more than an *ounce* he shall return it fourfold," "*Si quis uncarius fœnore amplius fœnerassit, quadruplione luito.*" What say our opponents? They affirm that the basis of computation is the Roman '*as*,' at the value which that coin had at the close of the Roman republic. They draw the conclusion that as the Romans paid their interest every month, the monthly interest on a hundred '*asses*' would have been one ounce, which is the twelfth part of the '*as*.' This would of course be exactly one per cent. a year. But between the value of the '*as*' at this last period and its value at the time when the Twelve Tables were promulgated, there was a great difference, which should warn them to distrust the conclusions at which they have arrived. Now, every body knows that it is a familiar custom in all countries to quote the rates of interest in the ordinary coin used in business. Thus in France we say the interest is 5 francs per 100 francs, and not 5 louis per 100 louis, or 5,000 francs per 100,000 francs. Now, about the close of the Republic various descriptions of coin, of gold and silver, had been put in circulation. The copper mines, better worked than formerly, produced greater quantities of metal. Moreover, the '*as*,' a copper coin, had been reduced by successive changes of the standard. As compared with the '*as*' of the time of the Twelve Tables, the coin had fallen to the twenty-fourth part of its original value. Instead of a pound it weighed about half an ounce, and in value it was equal to about

7 centimes of French money. Thus it was very natural that during this period the '*as*' should be generally used as the unit of monthly or yearly interest.

It was not thus at the time when the Twelve Tables were published; for then, according to Pliny, the use of silver money was unknown. The '*as*' then weighed twelve ounces of copper, and represented an important sum. Indeed, 100 '*asses*' were looked upon as a small fortune. At that time the ounce was no doubt regarded as the unit of interest. Thus, when a man lent money, he would say that his monthly interest was one ounce per 100 ounces, and not one ounce per 100 '*asses*.' Undoubtedly this is the correct explanation of this usury law of the Twelve Tables, which has so often been misunderstood.

The more modern form of quoting interest as one '*as*' per 100 '*asses*' must have come into use about the time of the destruction of Carthage, B. C. 146. For it was then that the Roman Government, in order to pay its creditors, reduced the '*as*,' formerly weighing 12 ounces to a half-ounce, and shortly after, the use of gold and silver money was adopted by the Republic. The popular denominations of the division of the '*as*' into twelve parts (for the name of this money was still given to the standard weight) must have greatly assisted this change. The people were thus enabled to graduate with the greatest ease all the variations, which, according to circumstances, the loan of money might undergo, a facility which the '*ounce*' did not allow to the same extent. We must then distinguish these two epochs from each other, and if Tacitus and Livy used forms of speech which have been cited by our opponents to demonstrate their opinions, we must remember that these historians have only reproduced, almost verbatim, the expressions of the law of the Twelve Tables, whose true meaning, relating only to '*ounces*,' as was then familiarly known to everybody. We have had in France similar modifications in the manner of quoting the rates of interest. Before the Revolution of 1793, a capitalist was said to lend money at the rate of one denier for five, at one denier for six, or at one denier for ten. The '*denier*' was then the unit of interest, as the franc is now. We say at present the rate of interest is not one franc for five, but 20 francs for 100. From what source have we borrowed this modern computation of interest at so much per cent.? Partly from the fact that the old coin called a '*denier*,' of which there were 12 in a sou, has disappeared from the category of moneys, as having no longer an appreciable value. This is precisely what happened 2,000 years ago to the monetary ounce of the Roman Republic, by reason of the microscopic value to which it was reduced.

By these arguments it is demonstrated that the loan of money, fixed by the law of the Twelve Tables, was raised to one per cent. per month, or 12 per cent. per annum. But the rate of interest at Rome did not always remain at this level. We have seen that in the year B. C. 345, it was reduced to one-half, viz, to 6 per cent. But the usurers of Rome discovered the possibility

of illegally oppressing their debtors, either by deducting the interest beforehand, or by making their loans through foreigners, who were not amenable to the Roman laws. In the year B. C. 342, according to Livy, the Tribune Genucius, wishing to correct these abuses, originated a law which made usury more difficult. The historian says: "I find it reported by some authorities that L. Genucius, a Tribune of the people, brought in a law against usury." Many historians contend that this law prohibited all interest. But there is the more difficulty in believing this, because Livy makes it quite clear that in the year B. C. 323, loans on interest were not at all suppressed. He even speaks of a creditor who kept his debtor in irons, claiming that besides the debt due to him, he was entitled to a certain profit of the same debt, which he exacted with the greatest severity, without any apparent punishment.

During this very year an important change took place in the monetary jurisprudence of Rome. In consequence of the extreme greed and great cruelty of a creditor, it was decided that for bankruptcy it should not be any longer allowed to keep a citizen in chains, or to sell him into slavery. The property alone of the debtor, and not his person, was to be the future guarantee of any debt he might contract. As a result of this law, the outbreaks between creditors and debtors, formerly so frequent, were effectually stopped. But the rate of interest, which, as shown above, had been fixed at 6 per cent., went on increasing from year to year. This increase is easily accounted for by the fact that the usurers had no longer to deal with the common people who had no security to offer, but with a fraction of the rich spendthrifts of Rome, whose ruin did not excite the passions and animosity of the Roman population.

Toward the close of the Republic, the common rate of interest was 12 per cent. a year. Often, however, this rate was singularly exceeded. Cicero tells us in his speech against Verrès, that the latter lent money at the rate of 24 per cent. a year. In a letter to Atticus, he says that the famous Brutus, one of Cæsar's murderers, had invested a large sum at double interest, or 48 per cent., with the further condition that all unpaid interest should be added every month to the principal, so that it might fructify anew at the same profitable rate.

---

NOTICE OF ELECTIONS.—Section 10 of the National Currency Act seems to have been construed by some bank officers as requiring thirty days' notice by advertisement to be given before every election of Directors. In reply to an inquiry on this point from Mr. L. H. Williams, Cashier of the Fifth National Bank of Pittsburgh, the Comptroller of the Currency thus indicates the meaning of the law: *First*—That thirty days' notice is required in cases when from any cause an election was *not* held at the time appointed. The law does not require this notice at regular annual meetings. *Second*—Where the articles of association provide that "all elections shall be held according to such regulations as may be prescribed by the Board of Directors, not inconsistent with law," the necessity of advertising the regular annual meeting of stockholders will depend upon the by-laws of regulations referred to in the articles of association.

## A SUGGESTION IN RELATION TO THE SINKING FUND.

*To the Editor of the Banker's Magazine :*

If, as contemplated by the Resumption Act of last year, the Government is to be prepared to pay its notes on demand in specie on and after January 1st, 1879, Congress cannot too quickly modify the law relating to the Sinking Fund. By the Act of February 25, 1862, establishing the Sinking Fund, and substantially re-enacted as Sec. 3,494 of the Revised Statutes, it is provided that the coin received for duties on imports shall be set apart as a special fund, to be applied *first*, to the payment of the interest on the debt in coin, and *secondly*, "to the purchase or payment of one per centum of the entire debt of the United States, to be made within each fiscal year, after the first day of July, eighteen hundred and sixty-two, which is to be set apart as a Sinking Fund, and the interest of which shall, in like manner, be applied to the purchase or payment of the public debt, as the Secretary of the Treasury shall, from time to time, direct." The Act which makes this provision is the same which authorized the first \$150,000,000 of U. S. legal-tender notes, and the terms of the law seem broad enough to include purchases of greenbacks for the Sinking Fund. The law has not, however, received this construction, and, if it were ever capable of it, the authority of the Secretary of the Treasury to reduce the volume of United States notes in this way was taken away by the Act of February 4, 1868, which suspended the further contraction of the currency. At present, therefore, only bonds can be purchased for the Sinking Fund. Consequently, unless the law is modified to meet the present exigency, the surplus coin remaining after paying interest on the bonds, which ought to be laid aside as a reserve preparatory to resumption, will have to be depleted by the \$34,000,000, or more, required to be annually applied to the purchase of bonds for the Sinking Fund. During the last fiscal year the surplus revenue was not sufficient, and during the current year it will be barely sufficient, to provide for the Sinking Fund. Nor is it at all likely that, during the three years remaining before the day set for resumption, there will be any considerable balance to be devoted to the accumulation of a coin reserve, if so much gold is still to be applied to the Sinking Fund. It is in vain to think of providing from the revenue for the Sinking Fund and coin reserve, too. We shall not have gold enough for both, unless we sell bonds to buy it. To leave the law as it now is, means either that the nation will not keep its pledge to resume January 1st, 1879, or else that it will, after using its coin to buy bonds for the Sinking Fund, sell other bonds to buy the gold needed for resumption. In this condition of things the chances are in favor of the former alternative, leaving the promised day of resumption, so long hoped for, so long deferred, still in the distance. It is thus that the law



providing for the Sinking Fund threatens to defeat the legislation for a return to specie payments.

This result is to be avoided, and the legislation of Congress on the National debt harmonized, not by abandoning the Sinking Fund, but by so modifying the law relating to it that the coin destined to purchase bonds for it be accumulated in the Treasury until January 1st, 1879, unless previous to that date the coin in the Treasury shall have reached at least 60 to 75 per cent. of the notes of which payment may be demanded. This gold will still be devoted to the redemption of the National debt, and the spirit and purpose of the law establishing the Sinking Fund will be fully satisfied.

It is not too much to say that the highest good faith demands the adoption by Congress of this measure. The promise on the face of every greenback is that "The United States will pay to bearer — dollars." In the case of every other promiser than the United States a note in this form is construed as a note on demand. But some may affirm that in this case the promise comes under the principle that every contract, for the performance of which no time is specified, must be performed within a reasonable time. Assuming this construction, however,—the most favorable one of which the contract is capable—the Government is still in default, for it has certainly been allowed a reasonable time to provide for the payment of these notes. It has disbursed surplus gold enough since 1868 to redeem the last dollar of them. It was the cardinal error of Mr. Boutwell's policy, that, by using the surplus gold in the Treasury to buy bonds, it would leave to be paid last that portion of the debt which was due first. If we are to abandon this vicious policy, if we really mean to honor the nation's promises on the 1st of January, 1879, the law should be changed accordingly. By accumulating in the Treasury the gold which, under the law as it is, must be used to buy bonds, resumption can be made safe.

This need not interfere with the proposed funding of \$2,000,000 of greenbacks per month. The contraction of the currency, and the accumulation of a coin reserve, may and should be carried along together. The approach of the day when the notes will be paid in coin, assured by the increasing reserve of gold, will have a tendency to cause an appreciation in the value of the paper dollar, so that a smaller quantity of notes will effect a given amount of work, and the volume of the currency will be, if it is not now, in excess of the wants of business. A moderate contraction will tend to remove this excess from the overcrowded channels of circulation. This is the policy which has been pursued by the Bank of France with such success that, with its stock of specie up to \$321,600,000, and its circulation reduced to \$468,100,000, there is now no perceptible depreciation in its notes as compared with coin, though it is nearly two years before it will be obliged to resume specie payments. EVERETT.

[The questions raised by our correspondent are examined at some length in an article on page 686 of this number.—Ed. B. M.]

THE NATIONAL BANKS OF PENNSYLVANIA AND THE  
USURY LAWS.

At a meeting of the officers of the National Banks of Pittsburgh, held in January, Mr. L. HALSEY WILLIAMS (Cashier of the Fifth National Bank of Pittsburgh) was appointed to prepare a paper on "The position of the National Banks of Pennsylvania under the Usury Laws," in view of the decisions of the Supreme Courts of the United States and of the State of Pennsylvania. The question is accordingly presented by Mr. Williams as follows:

The case of *Lucas v. the Government National Bank of Pottsville* (*vide* Legal Journal, Nov. 3, 1875) decides that where a National Bank brings suit on a note, usurious interest having been charged, the borrower can claim, as a set-off, the whole amount of the discount charged, and in estimating this amount can go back six years, *i.e.*, until barred by the statute of limitations, if the loan has been carried for so great a time. It does *not* declare that the penalty prescribed by the "National Currency Act," *viz.*, double the amount of the usurious discount charged, can be set-off against the amount of the debt sought to be recovered. *This penalty* can be recovered only in an action against the bank, by the payer of a loan on which usurious interest has been charged, after the loan has been paid off; and such action must be commenced within two years from the date of the transaction. In the latter case, the borrower can sue for double the amount of the discount for two years, and for the whole of the discount for four years preceding, making, if the rate charged was 9 per cent., 72 per cent. of the whole loan. In the former case the borrower, being the defendant, can set off the whole amount of the usurious interest charged for six years, making, if the rate was 9 per cent., 54 per cent. of the loan.

Another decision of the Supreme Court of Pennsylvania goes farther, and decides that where suit is brought on a series of renewed loans "A," usurious interest having been charged, the borrower can not only set off the whole amount of the usurious discount, but can also set off usurious discount in case of any other series of loans, "B," "C," or "D," that may not be barred by the statute of limitations.

Such seems to be the conditions under which the National Banks of Pennsylvania must now conduct their business. We now look for the remedy. And first, what remedy is there under existing statutes? Section 30th of the National Currency Act prescribes that "every association may charge on any loan, interest at the rate allowed *by the laws* of the State where the bank is located, and no more—except that where by the laws of any State a

different rate *is limited for banks of issue*, organized under State laws, the rates so limited shall be allowed for associations organized in any such State under this Act."

We have numerous banks throughout this State that are allowed to charge rates of interest as high as 10 per cent. per annum. If *any* of these banks have the privilege of issuing notes, then must the same right to charge more than 6 per cent. belong to every National Bank in the State.

It will be noticed that the Act under which the National Banks are organized allows these banks to charge "interest at the rate allowed by *the laws* of the State or Territory where the bank is located." It does not say by the *general laws* or the *special laws* of the State, but simply "by the laws of the State," etc. As we find numerous *laws* in force in this State, allowing a greater rate of interest than 6 per cent., do not the National Banks possess the same privileges? The question has never been decided, but we find an analogous case decided by the Supreme Court of the United States, reported in 18 Wallace, page 409, *Tiffany v. The National Bank of Missouri*. Tiffany, trustee of Darby, a bankrupt, brought an action of debt in the Court below, against the National Bank of Missouri, to recover under the provisions of the 30th Section of the Act, twice the amount of interest paid by Darby, on certain loans made by the bank to him before he was adjudged a bankrupt. The ground of the action was, that the interest reserved and paid was 9 per cent., a rate averred to be greater than the amount allowed by law, to wit, 8 per cent.

In Missouri, the banks of issue, organized under the State laws, are *limited* to 8 per cent., but the rate of interest *allowed* by the laws of Missouri generally is 10 per cent.

Judge Strong, of the United States Supreme Court, in delivering the opinion of the Court, said: "In an action like the present, brought to recover that which is substantially a statutory penalty, the statute must receive a strict, that is, a literal construction. The defendant is not to be subjected to a penalty, unless the words of the statute plainly impose it." The plaintiff argued that the National Banks were restricted to the rate allowed to banks of issue of the State, that is, to 8 per cent. "This," the Court held, "could not be maintained," and adds: "The Act of Congress is an enabling statute, not a restraining one, except so far as it fixes a maximum rate in all cases where State Banks of issue are not allowed a greater. If there is a rate of interest fixed by State laws for lenders generally, the banks are allowed to charge that rate, but no more, except that if State banks of issue are allowed to reserve more, the same privilege is allowed to National Banks. The Act of Congress speaks of allowances to National Banks and limitations upon State Banks, but it does not declare that the rate limited to State Banks shall be the maximum rate allowed to National Banks." "It cannot be doubted that it was intended by Congress to give the National Banks a firm footing in the different States where they were located. It was expected they would come

into competition with State Banks, and it was intended to give them *at least equal advantages in such competition*. In order to accomplish this, they were empowered to reserve interest at the same rates, whatever those rates might be, which were allowed to similar State institutions." In view of the fact that none of the State Banks are liable to the heavy penalty inflicted by the State Supreme Court in the Lucas case, and that many of the State Banks are allowed to charge a higher rate of interest than are the National Banks, can it be said that the intent of Congress, as expounded by the United States Supreme Court, is carried out by the ruling of Judge Gordon, in *Lucas v. Government National Bank of Pottsville*? This decision puts the National Banks at a disadvantage as compared with all other lenders within the State, while the object of Congress was to protect the National Banks from unfriendly State legislation and unfriendly State judicial rulings. Judge Strong, in his opinion, goes on to say: "Obviously, if State statutes should allow to their banks of issue a greater rate of interest than the ordinary rate allowed to natural persons, National Banking associations could not compete with them, unless allowed the same. On the other hand, if such associations were restricted to the rates allowed by the statutes of the State to banks which might be authorized by the State laws, unfriendly legislation might make their existence in the State impossible. A rate of interest might be prescribed so low that banking could not be carried on, excepting at a certain loss." In view of the reasons given, the Court decided that the defendants, in receiving 9 per cent. interest upon the loans made by them, did not transgress the Act of Congress.

The next consideration that suggests itself is, Will the Supreme Court of the United States limit the right to recover usurious interest only by the statute of limitations, or will it confine that right to two years, as prescribed by the National Currency Act? And will the Court allow the right to set off usurious interest to be limited only by the statute of limitations, or confine that right to the specific note or series of notes in suit? We find that in the case of the *Farmers & Mechanics' National Bank of Buffalo v. Dearing*, reported in full in the *BANKER'S MAGAZINE* for December, 1875, the Supreme Court of the United States, discussing this question, says: "Where a statute prescribes a rate of interest and simply forbids the taking more, and more is contracted for, the contract is good for what might be lawfully taken, and void only as to excess." Again: "Where a statute creates a new offense and denounces the penalty, or gives a new right and declares the remedy, the punishment or remedy can be only that which the statute prescribes. The thirtieth section (of the National Currency Act) is remedial as well as penal, and it is to be *liberally construed* to effect the object which Congress had in view in enacting it. In the Act of 1864 the forfeiture of the debt is omitted, and there is substituted for it the forfeiture of the interest stipulated for, if it had only been reserved, and the recovery of

twice the amount when the interest has been actually paid." The Court held that the bank was entitled to recover the principal of the note sued upon, less the amount of the interest unlawfully reserved.

It may be added, that, on examination, we find the principle involved in Judge Gordon's decision is not new, but has repeatedly been affirmed by our Courts, notably in a case from this city—Fitzsimmons against Baum, 8 Wright, 40—decided by Judge Williams, and sustained by the Supreme Court of the State. The U. S. Circuit Court reluctantly ruled the same way in a case tried before Judge McKennan, although the right to set off usurious interest on a second series of notes, "B," where series "A" was in suit, was denied. This decision was under the Pennsylvania statute, and not under the National Currency Act.

If we seek relief by legislation, there are three measures that suggest themselves:

1st. To strike out the words "of issue" from the 30th section of the National Currency Act.

2d. To influence Congress to give the National Banks the benefits of the Usury law of the District of Columbia, which provides that 6 per cent. per annum shall be the lawful rate of interest, but that parties may contract for 10 per cent.

3d. To influence the Legislature to enact a law similar to that of Massachusetts, which is substantially the same as that of the District of Columbia.

---

## USURY BY NATIONAL BANKS.

### SUPREME COURT OF PENNSYLVANIA, WESTERN DISTRICT.

#### *Lucas & Co. vs. The Government National Bank of Pottsville.*

#### ERROR TO COMMON PLEAS OF SCHUYLKILL COUNTY.

*(From the Pittsburgh Legal Intelligencer.)*

1. If a National Bank takes more than legal interest, it forfeits the entire interest.

2. Usurious interest taken by a National Bank may be defaulted against the amount sued for by the bank.

3. The Pennsylvania Act of Assembly, which limits the time in which usurious interest may be recovered back to six months, does not apply to transactions with National Banks.

OPINION BY GORDON, J., OCTOBER 11, 1875.

This was an action brought by the Government National Bank of Pottsville against John Lucas & Co., on two certain notes and one check, all of which were drawn by George J. Richardson to the defendants, and by them indorsed to the plaintiff. John Lucas, on the part of the defendants, filed an affidavit of defense, setting forth "That the said John Lucas & Co. were the payees on the notes and check upon which the suit is founded, and that

George J. Richardson was the maker. That said notes and check were sold to the said plaintiff at a discount of from 18 to 24 per cent. per annum, and that the defendants received from the plaintiff the amount of said notes and check, less said rate of discount. In addition to the above, said plaintiff has received from said George J. Richardson (corrected by a supplemental affidavit to read "defendants," instead of "George J. Richardson") on his (their) notes, not less than three thousand dollars in excess of the legal rate of interest, the same having been purchased by the plaintiff, at about the rate of twenty-one to twenty-four per cent. per annum discount, from the said defendants; and said defendants claim from the plaintiffs double the amount of interest under the Act of Congress." On the 7th day of July, 1873, on motion of the plaintiff's counsel, the Court entered judgment against the defendants for the whole amount of the plaintiff's claim, with interest from and after the maturity of the paper, striking out and disallowing, however, 18 per cent., the amount of discount. This judgment is erroneous in that it includes interest on the paper in suit from the time it fell due. The Act of Congress speaks in this wise: "And knowingly taking, receiving, or charging, a rate of interest greater than aforesaid, shall be held and adjudged a forfeiture of the entire interest which the note, bill, or other evidence of debt, carries with it, or which has been agreed to be paid thereon" (Rev. Stat., Sec. 5,198.)

Observe it is the entire interest which the bill or note carries with it that is forfeited, and not merely that which the party borrowing may agree to pay. The illegal act destroys the interest-bearing power of the obligation, and as there can be no point in the history of such paper at which it is freed from the taint of illegality, so it follows there can be no point of time from which it can bear interest. The plaintiff was entitled to recover the face of the note and check, and no more (*Brown v. Second National Bank of Erie, Legal Intelligencer*, February 28th, 1873.) Technically, the latter part of the affidavit of defense is bad, for it claims, as a set-off, that which the Act of Congress imposes as a penalty on the usurious transaction, to wit, double the amount of the interest paid. In this, defendants had no such interest as would enable them to use it by way of defalcation, for it could be acquired only through an action of debt under the statute, and, until the forfeiture was pronounced in their favor by judgment of the Court, they had nothing therein which would be the subject of set-off. But, as we hold that the defendants are entitled to default the amount of the usurious discounts which they paid the plaintiffs on previous transactions, we are disposed to treat the affidavit as faulty only in form rather than substance. The money paid to the plaintiff, over and above that which the Act of Congress authorized it to receive, belonged to the defendants, and the bank could hold it only for their use. This very point was raised and decided in *Thomas v. Shoemaker*, 6 W. & S. 179. That case ruled that usurious interest paid might be recovered back in

an action for money had and received, and that it was not questionable but that such interest, secured on previous transactions, might be defaulted against the plaintiff's claim in the suit then pending. This decision was made under the Act of 1823, then in force, by which, where more than legal interest was received, the money or other things lent was wholly forfeited.

The reason lying at the foundation of this and all similar decisions is very obvious. The receiving of such excessive interest is treated by the supreme power of the State as a public evil, and as such, prohibited; consequently, when taken against the statutory prohibition it is acquired without right, and no title thereto vests in the taker. In such case he is to be held as one wrongfully in possession of his neighbor's property.

This reason applies *a fortiori* to the case in hand, for these National Banks are the mere creatures of the Act of Congress. From it they derive all the powers they possess; when, therefore, they act contrary to its express provisions and mandate, they usurp powers that do not belong to them, and such act is clearly *ultra vires* and void. In the case now in hand, if the affidavit of John Lucas be true, this bank has taken from the defendants some \$3,000, which the Act of Congress has not only, in express terms, declared it should not take, but imposed a penalty upon it for taking.

By no right, then, does the plaintiff hold this money; it has no property therein, and its possession thereof is but that of a trustee or bailee of the defendants.

Another error into which the Court fell, was in supposing that the case came within the provision of our Act of March 28th, 1858, which provides that where the debt and excessive interest have been paid, no action to recover back such excess can be maintained but within six months after such payment. But this case does not come under that act, but, as we have seen, under the Act of Congress which operates upon a subject of its own creation, and over which it has supreme control; hence our act can not be made to supplement the National statute with a limitation not found in it. As the only limitation found in the Act of Congress applies alone to the action for the penalty, it follows that the claim of the defendants can only be barred by a failure to sue for the same within the period of six years after it accrued.

The Judgment is reversed and a *procedendo* awarded.

---

A NEEDED EXAMPLE.—A Boston merchant received a note, some time since, requesting him to allow the use of his name as trustee of a savings bank, with the "understanding" that he was not to be expected to take an active part. It was also intimated that, in case of acceptance, the National bank of which he is an officer would get a fat slice of the savings bank's deposits. The answer returned was a rebuke so withering that those who received it have since avoided all mention of the subject. To such propositions and their acceptance may be traced the reasons for not a few of the failures of recent years.

## THE LAW OF BANK CHECKS.

## THE RIGHTS OF DRAWER AND OF HOLDER.

A recent decision of the Supreme Court of Illinois takes the ground that where a depositor draws his check on a banker, who has funds to an amount equal or greater than the check, it operates to transfer the sum named to the payee, who may sue for and recover the amount from the bank; and that a transfer of the check carries with it to each successive holder the title to the amount named in it. After the check has passed to the hands of a *bona fide* holder, it is not in the power of the drawer to countermand the order of payment.

This decision only re-affirms a principle which may now be regarded as settled law in the State of Illinois, if not so elsewhere. A similar opinion has just been rendered in the case of *Stein Brothers vs. The Farmers and Mechanics' National Bank of Philadelphia*, by Judge Peirce of that city. He holds that "a check drawn upon money in bank is an assignment of so much money, and as such, when passed to the order of the party to whom it is drawn, the party holding it possesses the title to it, and all rights vested in the maker of the check are vested in him, and his instructions, and not those of the maker of the check, are to be regarded by the bank."

These decisions will be a surprise to many who understand differently the law of checks. The principles involved have given rise to decisions which are apparently contradictory. In our next number we will consider at length these principles, a proper understanding of which is of great importance to bankers.

The Illinois case is that of the Union National Bank *v.* the Oceana County Bank (appeal from Cook), and the opinion as follows:

SCOTT, C. J.—This action is upon a check drawn by James H. Ledlie on the Union National Bank of Chicago, in favor of Underhill and Gray, and by them indorsed and delivered to the Oceana County Bank, located at Pentwater, Michigan. The declaration contains a special count upon the check, and also the common money counts. On the trial the plaintiff recovered a judgment for the amount of the check with interest, and the defendant brings the case to this Court on appeal.

The evidence shows there was no unreasonable delay in presenting the check to defendant for payment, and notwithstanding it is shown that the bank had funds in its possession on deposit subject to check at the time, belonging to the drawer, in excess of the amount of the check, payment was refused for the reason the drawer had previously ordered the bank not to pay it.

The facts proven in this case bring it clearly within the rule declared in *Munn et al. v. Burch et al.*, 25 Ill., 35. The doc-



trine of that case has been so frequently affirmed in other cases in this Court, it is not necessary now to discuss it as a new question. The principle of all the cases in this Court on this subject is, that when a depositor draws his check on his banker, who has funds to an equal or greater sum than his check, it operates to transfer the sum named to the payee, who may sue for and recover the amount from the bank, and that a transfer of the check draws with it the title to the amount named in the check to each successive holder. After the check has passed to the hands of a *bona fide* holder, it is not in the power of the drawers to countermand the order of payment.

The case at bar is controlled by this principle, and we content ourselves by simply making reference to our former decisions where it is declared. *The Chicago Marine and Fire Ins. Co. v. Stanford*, 28 Ill., 168; *Bickford v. First National Bank*, 42 Ill., 238; *Brown v. Lecker, et al.*, 43 Ill., 497.

Adhering, as we do, to the doctrine of the cases cited, we are of opinion the evidence offered to prove facts establishing a defense as between the drawees and the drawer of the check, was properly rejected. The judgment must be affirmed.

Judgment affirmed.

---

### THE NEW ARGENTINE MONETARY UNIT.

"The Argentine Republic has adopted as its unit of account a coin containing of pure gold one and a half grains, and weighing one and two-thirds grains, the fineness of the metal being 9-10. The law was promulgated October 1, 1875. This unit is the same as that adopted by the Japanese Government some three years ago; and what will specially interest the Association is that this unit is the identical standard which was advocated by the American Statistical Association in a memorial which it addressed to the United States Congress in 1868 or 1869, and which was presented to the Senate by Hon. Charles Sumner, and to the House by Hon. Samuel Hooper. It is the only system of coinage yet adopted by any nation in which the weight of the standard monetary unit has a simple relation to the metric unit of weight—the grain—a unit of weight designed in the very near future to be the sole international unit. This monetary unit is less than the existing gold dollar of the United States by about three-tenths of one per cent. With this new standard, the solution of problems (difficult even to experts in our United States money) is brought within the easy grasp of the school-boy of the Argentine Republic and of Japan. For instance: Multiplying the weight in grains of a mass of gold of standard (9-10) fineness, by 6-10, gives its value in Argentine pesos (dollars) or in Japanese yens (dollars), while to deduce its value in United States dollars requires multiplication by the tedious decimal 0.598,153."—[From a communication by Mr. E. B. Elliott to the American Statistical Association.]

BOOK NOTICES.

---

*Practical Political Economy, and Social Science, in their Application to our Present Condition as a Nation.* By D. C. COLLINS. F. M. Calkins, Covington, Ky. 1876.

This suggestive pamphlet traverses the whole field of our monetary system. It discusses the principles of finance in relation to "wealth or value, barter, barter measure, money, due-bills, promissory notes, drafts, bills of exchange, and checks; banks, bank-notes or currency, clearing-houses, treasury notes, or circulation." Each of these subjects is briefly treated, the chief attention being given to those last on the list. Mr. Collins is well-known to a considerable circle of financial men, in various parts of the United States. His long experience as a practical banker of the West gives weight to his opinions on the financial question. In the work before us he has condensed in a popular form a large amount of interesting information, and however much we may differ from some of his theories, his arguments and facts are well worth examining.

---

*The Primer of Political Economy.* ALFRED B. MASON AND JOHN J. LALOR. Chicago: Jansen, McClurg & Co. 1875.

In this admirable little volume an attempt is made with some success to present the elementary principles of political economy in a brief, compendious form. The authors are both newspaper men connected with the *Chicago Tribune*. Their object has been to construct a text-book fit for use in the common schools of the United States. One of the authors has had several years' experience in teaching political economy to young people. In the course of this experience he hit upon the method of giving definitions to be committed to memory with exactitude by the scholar. As its definitions are the weak part of economic science, and as the settlement of these definitions is a necessary preliminary to its future progress, the work before us, notwithstanding its modest pretensions, has considerable value. It attempts to set forth the elementary truths of political economy in 16 definitions and 40 propositions. These 56 sentences have to be committed to memory, and to each of them is appended a few paragraphs of illustration. There is considerable originality in the form into which the work is cast, and in this consists its chief value. The defects in some of the statements and arguments are such as can be easily removed by a competent hand in future editions.

---

*The Law of Taxation.* By FRANCIS HILLIARD. Boston: Little, Brown & Co. 1875.

After every great war which has imposed a burden of debt and taxation during the present century, there has usually arisen a popular outcry against fiscal burdens. The political agitation thus created has added a new stimulus to the investigation of the laws and principles of fiscal science. This is but

one of the many compensations which war brings in its train, that it awakens the public mind to the fierce and earnest discussion of great questions formerly neglected; and that it advances and helps forward scientific progress, political growth, and economic research. Taxation belongs to the domain of three distinct sciences. First, it pertains to the science of *jurisprudence*. In discussing it in this point of view, we have to consider the tax laws of the country as part of its general system of municipal government. If we propose any reform in these laws it is our duty as jurists to explore the contiguous parts of the legislative edifice, just as an architect explores all the parts of a defective tower before he can safely take the risk of removing the unsound stones, or of putting in new ones. Secondly, taxation belongs to the science of *ethics*. Fiscal laws may create a great deal of immorality. False swearing and illicit trading have always been the fruitful results of clumsy, complicated and ill-adjusted tax laws, and with the modern growth in wealth and commerce these mischievous consequences are more prolific than ever. When we explore the fiscal machinery of any country on its ethical side, we must, of course, take account of the tendency of its tax methods to multiply or to diminish the temptations it places before the minds of the tax-payers to lying, perjury, false statements, and other fiscal immoralities. Thirdly, taxation is an important part of *economic science*. Spain by a single tax, the "alcavala," which was imposed on the sales of goods, destroyed an immense amount of its National wealth in the 16th century. And what was worse, this tax paralyzed the productive powers of Spain as well. A similar fault of taxation has desolated for ages the Turkish Empire, and has caused the present rebellion in Herzegovina and Bosnia. Hence, no examination of the tax system of any country is complete until the economic aspects of the whole of the taxes have been thoroughly explored, analyzed and made known. Mr. Hilliard's book is chiefly devoted to the juridical side of taxation, which is the first of these three departments of the general subject of fiscal knowledge. He finds the field almost empty of competitors, as there is no existing treatise upon taxation which attempts a thorough analysis of the principles of taxation as a part of American jurisprudence. In the 19 chapters into which the book is divided, Mr. Hilliard gives ample illustrations of each of the topics. His first chapter lays down the general rules and principles by which taxation is regulated in this country; including the construction and limitations of the taxing power, the legitimate objects of taxation, the nature of a tax when imposed, as a claim upon the citizen, the different forms or kinds of taxation, and other miscellaneous points. The second treats of mutual rights, duties, and limitations of the General and State Governments in reference to taxation. The third, of exemption. He then treats of taxation in reference to place. The next chapters relate, first, to the property liable to be taxed, then to the parties; separate chapters being devoted to corporations, banks and railroads. Then follows the discussion of the vexed questions relative to assessment, a distinct chapter being given to municipal assessments for local improvements, or betterment laws. The following chapters discuss the subjects of collection, abatement, the general remedies connected with the whole subject, and the remedy which has been made the subject of so much controversy and litigation,—the sale of land for taxes. It will be observed that Mr. Hilliard does not attempt to give an exhaustive view of the legislative changes made recently in the statute law of the various States. His book is not intended as a sub-

stitute for the ordinary works in which every lawyer must explore and discover the tax laws of any particular State as they are and as they have been in regard to the specific details of taxation. What the work before us aims to give is a useful, accurate compendium of judicial decisions, constitutional provisions, and general statutory enactments. It aims to assist the reader to investigate with better advantage any question of fiscal jurisprudence about which as a lawyer, a banker, or a publicist, he may require full and accurate information. It is not the least of the multifarious attractions of this work that it is furnished with a valuable apparatus of indices and explanatory notes.

---

*Social Science and National Economy.* ROBERT ELLIS THOMPSON, M. A. Philadelphia: Porter & Coates. 1875.

Unlike the primer above noticed, Professor Thompson's treatise favors the theory of protection. The work is intended as a text-book for colleges and schools. It is written in a simple, lucid style, and in literary execution it surpasses most of the books which have been published during the last half century to advocate the protectionist side of the tariff controversy. It also differs from those works by the superior prominence it gives to the more important parts of economic science. For these and other reasons the volume is well adapted to the instruction of persons who wish to see both sides of the protectionist question, and whose reading has been limited to the works written from the free-trade stand-point. Another feature of this treatise is that it is not sound on the currency question. It teaches inflationist errors, and defends several of the more mischievous heresies of the worshipers of paper money. Perhaps the least valuable part of Mr. Thompson's book is that devoted to the criticism of the leaders of the schools opposed to his own. He is peculiarly unfortunate in his refutation of Mr. Ricardo, whose profound theories he fails altogether to comprehend. With Mr. Malthus, who was a man of much lower stature than Ricardo in the economic school to which both belong, our author is much more successful. Indeed, the chapter devoted to Malthus and his theories is among the most useful and instructive in the book. The first chapter is devoted to a sketch of the history of political economy. But the writer fails to do justice to the Italian and even to many of the English and French writers of the 18th century. He offers, however, some just remarks in reference to the mercantile school. In a future edition we hope Mr. Thompson will enlarge and elaborate this valuable but somewhat unpopular argument. It will be easy for so well-read a student of the history of the middle ages to show the advantages of the mercantile system as well as its abuses. Both are necessary if we would view the progress of economic growth as it really appeared to the men of that age, instead of exploring and distorting it through the spectacles of the 19th century. The subsequent chapters are devoted to various topics connected with the growth of society, of wealth, and of population. After these preliminary topics the writer discusses the two grand subjects of land and labor. Land, he thinks, owes its value solely "to the labor that has been wisely expended upon it." If this theory were true, Mr. Astor's immense possessions of real estate have acquired very little new value during the last 25 years, for he has expended very little labor upon their improvement in comparison of the immense rise in the aggregate valuation of the property. No narrow theory like that of Professor Thompson and his school will account for the rise and fall of the value of real property. Land, as every thoughtful man knows very well,

derives its value not from labor alone, but from two other and very different causes. First, the value of land, as of everything else, depends upon the fact that somebody wants it. Other things being equal, the value of land will rise in proportion, as a greater number of people want it, and wish to buy it for use. Hence, in New York the land now owned by Mr. Astor has risen to its present high value because there is a population of a million souls belonging to this metropolis, and the presence of this vast multitude of intelligent, energetic citizens has caused an intense desire, a constant demand for the ownership of the soil from people who have wherewith to buy and own it. Hence, it is a principle that land rises in value as population increases, because in proportion as population grows the demand grows for the ownership of land. But there is another cause of growth in value besides the growth of the effective demand. We refer to the limitation of the supply. If the available supply of land exceeds the growing demand and keeps ahead of it, there will be no rise in price, however rapid the growth of the demand may be. We have no need to add further argument in refutation of the opinion that land owes its value solely and exclusively to the labor spent upon it. Our author is much more successful in his discussion of strikes and other incidents of the struggle between labor and capital. We regret that we can not examine at length the conclusions and arguments, the historic facts and the economic principles, which occupy this part of his work. On the whole, Mr. Thompson will make few converts to his opinions, but he will enlighten some of his opponents as to the fact that the distance which separates the two hostile camps of economists in this country has been exaggerated, and that at several points the force of circumstances is drawing the two parties closer together.

---

*The Insurance Blue Book. An Insurance Annual* by C. C. HINE. New York. 1875. Office of the *Insurance Monitor* and the *Insurance Law Journal*.

Mr. Hine, the compiler of this valuable annual, has been well known for many years as a trustworthy authority on Insurance Statistics. We must apologize to our readers for the delay in noticing this work, which has been on our table for some time, but, with other books, has been of necessity laid aside till now. The next volume will not be issued, we believe, for a few months, and meanwhile the public will find in the volume before us a mass of statistical information about our insurance companies of much practical value.

---

**BANKING IN POMPEII.**—Among the discoveries in that buried city, there have been found the "books" of a banker, consisting of some three hundred writing tablets, of which the Italian paper *La Perseveranza* gives an account: "In nearly all of the little books, containing three tablets each, the four inner sides are covered with wax, on which a fine, small writing is to be seen. They contain agreements about loans, on which a certain rate of interest is to be paid. First, the debtor acknowledges to having received the money (the sum being expressed in words), and promises to pay it at a certain date, with a surplus of interest; secondly, they contain the date, the names of the decemviri, the town authorities, and the two consuls. The names of the witnesses are written under this, and a seal is fastened to the two tablets, on which the contract is written, with a cord. Sometimes the creditor wrote a short extract of the contract on the margin. The banker's name is L. Caius Tucundus. His life-size bronze bust, which is one of the most interesting at Pompeii, has also been recovered."

## VERBAL ACCEPTANCE OF BILLS.

UNITED STATES SUPREME COURT, OCTOBER TERM, 1875.

*William H. Scudder, Plaintiff in Error, v. The Union National Bank of Chicago.*

IN ERROR TO THE CIRCUIT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF ILLINOIS.

The question was upon liability of the firm of which Scudder was a member in St. Louis, upon a bill of exchange drawn in Chicago to the order of the bank on the firm. Upon the bank declining to discount the bill, unless accompanied by bill of lading or other security, the drawers, in the presence of Scudder, and without objection by him, directed their clerk to notify the bank that he (Scudder), one of the firm of drawees, was in the city and authorized the drawing of the bill, and that it was drawn against pork that day shipped. Upon this representation the bank discounted the bill and passed the proceeds to the credit of the drawers. The Court held that Scudder's firm were liable for the amount of the bill. Affirmed.

Mr. Justice HUNT delivered the opinion of the Court.

The plaintiff below sought to recover from the firm of Henry Ames & Co., of St. Louis, Missouri, the amount of a bill of exchange, of which the following is a copy, viz.:

"\$8,125.00

CHICAGO, July 7, 1871.

"Pay to the order of Union National Bank eight thousand one hundred and twenty-five dollars, value received, and charge it to the account of

LELAND &amp; HARBACH.

"To Messrs. Henry Ames & Co., St. Louis, Mo."

By the direction of Ames & Co., Leland & Harbach had bought for them and, on the 7th day of July, 1871, shipped to them at St. Louis 500 barrels of pork, and gave their check on the Union Bank to Hancock, the seller of the same, for \$8,000.

Leland & Harbach then drew the bill in question and sent the same by their clerk to the Union Bank (the plaintiff below) to be placed to their credit. The bank declined to receive the bill unless accompanied by the bill of lading or other security. The clerk returned and reported accordingly to Leland & Harbach. One of the firm then directed the clerk to return to the bank and say that Mr. Scudder, one of the firm of Ames & Co. (the drawees), was then in Chicago and had authorized the drawing of the draft; that it was drawn against 500 barrels of pork that day bought by Leland & Harbach for them and duly shipped to them. The clerk returned to the bank and made this statement to its vice-president, who thereupon, on the faith of the statement that the bill was authorized by the defendants, discounted the same, and the proceeds were placed to the credit of Leland & Harbach. Out of the proceeds the check given to Hancock for the pork was paid by the bank.

The direction to inform the bank that Mr. Scudder was in Chicago and had authorized the drawing of the draft, was made in the presence and in the hearing of Scudder, and without objection by him.

The point was raised in various forms upon the admission of evidence, and by the charge of the Judge, whether, upon this state of facts, the firm of Ames & Co., the defendants, were liable to the bank for the amount of the bill. The jury, under the charge of the Judge, held them to be liable, and it is from the judgment entered upon that verdict that the present writ of error is brought.

The question is discussed in the appellant's brief, and properly, as if the direction to the clerk had been given by Scudder in person. The jury were

authorized to consider the direction in his presence and hearing, without objection by him, as made by himself.

The objection relied on is that the transactions amounted at most to a parol promise to accept a bill of exchange then in existence. It is insisted that such a promise does not bind the defendants.

The suit to recover upon the alleged acceptance, or upon the refusal to accept, being in the State of Illinois, and the contract having been made in that State, the judgment is to be given according to the law of that State. The law of the expected place of performance, should there be a difference, yields to the *lex fori* and the *lex loci contractus*.

In Wheaton on Conflict of Laws, § 401, p., the rule is thus laid down: "Obligations, in respect to the mode of their solemnization, are subject to the rule *locus regit actum*; in respect to their interpretation, to the *lex loci contractus*; in respect to the mode of their performance, to the law of the place of their performance. But the *lex fori* determines when and how such laws, when foreign, are to be adopted, and in all cases not specified above supplies the applicatory law." (Miller v. Tiffany, 1 Wall., 310; Chapman v. Robertson, 6 Paige, 634; Andrews v. Pond, 13 Peters, 78; Lanusse v. Baker, 3 Wheat, 147; Adams v. Robertson, 37 Ill. R., 59; Ferguson v. Fuffe, 8 C. & F., 121; Bain v. Whitebarre R. C., 3 H. L. Cas., 1; Scott v. Pilkington, 15 Abb. P. R., 280; Story Conflict Law, 203; 10 Wheaton, 383.)

The rule is often laid down that the law of the place of performance governs the contract.

Mr. Parsons in his treatise on notes and bills uses this language: "If a note or bill be made payable in a particular place, it is to be treated as if made there, without reference to the place at which it is written, or signed or dated."—(P. 324.)

For the purposes of payment, and the incidents of payment, this is a sound proposition. Thus, the bill in question is directed to parties residing in St. Louis, Mo., and contains no statement whether it is payable on time or at sight. It is in law a sight draft. Whether a sight draft is payable immediately upon presentation, or whether days of grace are allowed and to what extent, is differently held in different States. The law of Missouri, where this draft is payable, determines that question in the present instance.

The time, manner, and circumstances of presentation for acceptance or protest, the rate of interest when this is not specified in the bill (Young v. Harris, 14 B. Munro, 556; Parry v. Ainsworth, 22 Barb., 118), are points connected with the payment of the bill, and are also instances to illustrate the meaning of the rule, that the place of performance governs the bill.

The same author, however, lays down the rule that the place of making the contract governs as to the formalities necessary to the validity of the contract (p. 317). Thus, whether a contract shall be in writing, or may be made by parol, is a formality to be determined by the law of the place where it is made. If valid there the contract is binding, although the law of the place of performance may require the contract to be in writing. (Dacosta v. Hatch, 4 Zabriskie R., 319.)

So when a note was indorsed in New York, although drawn and made payable in France, the indorsee may recover against the payee and indorser upon a failure to accept, although by the laws of France such suit can not be maintained until after default in payment. (Aymar v. Shelden, 12 Wend., 439.)

So if a note, payable in New York, be given in the State of Illinois for money there lent, reserving ten per cent. interest, which is legal in that State, the note is valid, although but seven per cent. interest is allowed by the laws of the former State. (Miller v. Tiffany, 1 Wall., 310; Depeau v. Humphrey, 20 Martin, 1; Chapman v. Robertson, 6 Paige, 634; Andrews v. Pond, 13 Peters R., 65.)

Matters bearing upon the execution, the interpretation, and the validity of a contract, are determined by the law of the place where the contract is made. Matters connected with its performance are regulated by the law prevailing at the place of performance. Matters respecting the remedy, such as the bringing of suits, admissibility of evidence, statutes of limitation, depend upon the law of the place where the suit is brought.

A careful examination of the well-considered decisions of this country and of England will sustain these positions.

There is no statute of the State of Illinois that requires an acceptance of a bill of exchange to be in writing, or that prohibits a parol promise to accept a bill of exchange. On the contrary, a parol acceptance and a parol promise to accept are valid in that State, and the decisions of its highest Court hold that a parol promise to accept a bill is an acceptance thereof. If this be so, no question of jurisdiction or of conflict of laws arises. The contract to accept was not only made in Illinois, but the bill was then and there actually accepted in Illinois, as perfectly as if Mr. Scudder had written an acceptance across its face and signed thereto the name of his firm. The contract to accept the bill was not to be performed in Missouri. It had already by the promise been performed in Illinois. The contract to pay was, indeed, to be performed in Missouri, but that was a different contract from that of acceptance. (*Nelson v. First National Bank*, 48 Ill., 39; *Mason v. Dousey*, 35 Ill., 424; *Jones v. Bank*, 34 Ill., 319.)

Unless forbidden by statute, it is the rule of law generally that a promise to accept an existing bill is an acceptance thereof, whether the promise be in writing or by parol. (*Wynne v. Raikes*, 5 East, 514; *Bank of Ireland v. Archer*, 11 M. & W., 383; *How v. Loring*, 24 Pick., 254; *Ward v. Allen*, 2 Met., 53; *Bank v. Woodruff*, 34 Vt. R., 92; *Spalding v. Andrews*, 12 Wright, 411; *Williams v. Winans*, 2 Green [N. J.], 339; *Storer v. Logan*, 9 Mass., 56; *Byles on Bills*, § 149; *Barney v. Withington*, 37 N. Y. R., 112; see the Illinois cases cited supra.)

Says Lord Ellenborough, in the first of these cases, "a promise to accept an existing bill is an acceptance. A promise to pay it is also an acceptance. A promise, therefore, to do the one or the other, *i. e.*, to accept or certainly pay, cannot be less than an acceptance."

In *Williams v. Winans*, Ch. J. Hornblower says: "The first question is whether a parol acceptance of a bill will bind the acceptor, and of this there is at this day no room to doubt. The defendant was informed of the sale, and that his son had drawn an order on him for \$125, to which he answered it was all right; he afterwards found the interest partly paid and the evidence of payment indorsed upon it in the handwriting of the defendant. These circumstances were proper and legal evidence from which the jury might infer an acceptance."

It is a sound principle of morality, which is sustained by well-considered decisions, that one who promises another, either in writing or by parol, that he will accept a particular bill of exchange, and thereby induces him to advance his money upon such bill, in reliance upon his promise, shall be held to make good his promise. The party advances his money upon an original promise, upon a valuable consideration, and the promisor is, upon principle, bound to carry out his undertaking. Whether it shall be held to be an acceptance, or whether he shall be subjected in damages for a breach of his promise to accept, or whether he shall be held to be estopped from impeaching his word, is a matter of form merely. The result in either event is to compel the promisor to pay the amount of the bill with interest. (*Townley v. Sumdel*, 2 Peters, 170; *Boyce v. Edwards*, 4 Ib., 111; *Goodrich v. Gordon*, 15 John. R., 6; *Scott v. Pilkington*, 15 Ab. P. R., 280; *Ontario Bank v. Worthington*, 12 Wend., 593; *Bissell v. Lewis*, 4 Mich. R., 450; *Williams v. Winans*, 2 Green, 389.)

These principles settle the present case against the appellants.

It certainly does not aid their case that after assuring the bank, through the message of Leland & Harbach, that the draft was drawn against produce that day shipped to the drawees, and that it was drawn by the authority of the firm (while in fact the produce was shipped to, and received and sold by them), and after the bank in reliance upon this assurance discounted the bill, Mr. Scudder should at once have telegraphed his firm in St. Louis to delay payment of the draft, and by a subsequent telegram should have directed them not to pay it.

The judgment must be affirmed.



## NATIONAL BANKS OF THE UNITED STATES.

December, 1875.

Abstract of reports made to the Comptroller of the Currency, showing the condition of the National Banks of the UNITED STATES, at the close of business on Friday, December 17th, 1875,\* and also in December of 1874 and 1873.

LIABILITIES.	1875. December 17. 2,085 banks.	1874. December 31. 2,027 banks.	1873. December 26. 1,976 banks.
Capital stock paid in.....	\$ 505,410,865	\$ 495,802,481	\$ 490,266,611
Surplus fund.....	133,985,422	130,485,641	120,961,267
Undivided profits.....	59,152,485	51,477,629	58,375,169
National bank notes outstanding.	314,889,051	331,193,159	341,320,256
State bank notes outstanding....	818,722	850,775	1,130,585
Dividends unpaid .....	1,353,396	6,088,845	1,269,474
Individual deposits .....	618,306,747	682,856,249	540,510,602
U. S. deposits.....	6,652,556	7,492,307	7,680,375
U. S. disbursing officers.....	4,232,550	3,579,722	4,705,593
Due to National banks.....	119,840,732	129,188,671	114,996,666
Due to State banks and bankers.	47,048,174	51,629,602	36,598,076
Notes and bills re-discounted....	5,257,160	6,365,652	3,811,487
Bills payable.....	7,056,583	5,398,900	7,754,137
<i>Aggregate Liabilities..</i>	<i>\$ 1,823,104,447</i>	<i>\$ 1,902,409,638</i>	<i>\$ 1,729,380,303</i>
RESOURCES.			
Loans and discounts.....	\$ 957,864,999	\$ 950,898,978	\$ 856,816,555
Overdrafts .....	4,495,024	4,963,602	.....
U. S. bonds to secure circulation.	363,588,100	382,976,200	389,384,400
U. S. bonds to secure deposits...	13,981,500	14,714,000	14,815,200
U. S. bonds on hand.....	16,009,550	15,290,300	8,630,850
Other stocks, bonds, & mortgages	31,657,960	28,313,473	24,358,125
Redeeming and reserve agents...	81,451,535	80,488,831	73,032,046
Due from other National banks..	44,814,252	48,100,842	40,404,757
Due from State banks & bankers.	11,895,161	11,655,573	11,185,253
Real estate, furniture and fixtures	41,570,938	39,190,683	35,556,746
Current expenses .....	9,205,146	5,510,566	8,678,170
Premiums paid.....	9,439,905	8,626,112	7,987,707
Checks and other cash items.....	11,233,408	14,005,517	12,321,972
Exchanges for Clearing-House...	67,886,967	112,995,317	62,881,342
Bills of other National banks....	17,152,762	22,508,036	21,403,179
Bills of State banks.....	.....	24,300	.....
Fractional currency.....	2,900,184	2,392,668	2,287,454
Specie on hand.....	17,070,825	22,436,761	26,907,037
Legal-tender notes .....	70,682,318	82,751,791	108,719,506
U. S. certif. for legal-tender notes	31,005,000	33,523,000	24,010,000
5 per cent. Redemption Fund....	15,970,306	16,935,063	.....
Due from U. S. Treasurer other	.....	.....	.....
than 5 per cent. Red'n Fund..	3,228,599	4,108,020	.....
<i>Aggregate Resources ..</i>	<i>\$ 1,823,104,417</i>	<i>\$ 1,902,409,638</i>	<i>\$ 1,729,380,303</i>

\* This statement is exclusive of one bank in Wyoming, from which a report has not been received.

## BANKING AND FINANCIAL ITEMS.

**NOTICE.**—The *Banker's Almanac and Register*, Second Edition, with corrections and changes to March 1st, is now issuing from the press. It also contains the names of the *Directors* of the National and State Banks of New York city.—Price, \$3.

**FOREIGN COMMERCE OF THE U. S.**—The Secretary of the New York Chamber of Commerce has made a compilation which shows the foreign commerce of this port as compared with the aggregate of all other ports of the United States for the year ending June 30, 1875. The following is a recapitulation:

FOREIGN MERCHANDISE.	Port of New York.	Aggregate of all other ports of the U. S.	Total United States.
Imported .....	\$ 368,637,580	\$ 185,268,573	\$ 553,906,153
Re-exported.....	15,502,056	6,931,568	22,433,624
Consumed and on hand.....	\$ 353,135,524	\$ 178,337,005	\$ 531,472,529
DOMESTIC PRODUCE.			
Exported.....	\$ 329,201,913	\$ 329,489,378	\$ 658,691,291
Excess of foreign imports over domestic exports .....	\$ 39,435,667	....	....
Excess of domestic exports over foreign imports.....	....	\$ 144,220,805	\$ 104,785,138
Total foreign commerce of the port of New York.....			\$ 713,341,549
Total foreign commerce of all other ports of the United States .			521,689,519
Total foreign commerce of the U. S. 1874-75.....			\$ 1,235,031,068
“ “ “ “ 1873-74.....			1,324,104,706
Decrease during the year 1874-75.....			\$ 89,073,638
Total foreign commerce of the U. S., 1874-75, \$1,235,031,068; 1873-74, \$1,324,104,706; 1872-73, \$1,340,899,221; 1871-72, \$1,212,328,233; 1870-71, \$1,132,472,258; 1869-70, \$991,898,889.			

**REDUCTION OF CAPITAL.**—A meeting of stockholders of the Tenth National Bank of this city, called pursuant to law, was held on January 22d, for the purpose of voting on the question of a reduction of the capital of the bank from one million to five hundred thousand dollars, through the surrender by each stockholder of one-half of his stock. After due resolution and ballot it was found that of the 8,917 shares represented at the meeting, every vote was in favor of the proposed reduction, which has therefore been made. Forty per cent. in cash is paid to each shareholder.

**THE COMMERCIAL WAREHOUSE COMPANY.**—The first report of Mr. John Baird, receiver of this company, has just been filed, and is a very favorable one for all concerned, as the assets are more than double the liabilities. The total assets are \$4,022,133, and the liabilities \$1,877,046.

**THE NEW YORK TRUST AND LOAN COMPANY** has taken legal steps to close up its business, by the appointment of a receiver and referee. On the application of a majority of the directors, Judge Donohue, on Jan. 29th, appointed the Central Trust Company of New York receiver to wind up its affairs.

**NEW YORK.**—Frederick Schuchardt & Sons, bankers, who suspended in September last, were adjudged bankrupts on February 19th, upon a petition filed by twenty creditors, whose claims aggregate nearly \$450,000. It is expected that the affairs will be wound up by trustees and a committee of creditors. The liabilities are about \$1,125,000, due mainly in Europe, while the nominal value of the assets approximates \$2,000,000.

**MONEY SNATCHING.**—On January 29th a gentleman applied to the specie-house of J. B. Colgate & Co., Wall street, for some gold bars. Three bars were shown to him, one of which he concluded to purchase. As he was filling out a check in payment, an unknown man, who was standing by the counter, snatched the bar, valued at about \$600, and running into the street succeeded in making his escape with it.

**THE ALLEGED COUNTERFEIT 7-30S.**—The Supreme Court of the U. S. has decided against the Government in the case of *Jay Cooke & Co. v. the United States*—Error to the Southern District of New York.—The United States sued to recover the money paid on redemption of eighteen \$1,000 seven-thirties, which, after redemption, were alleged to be spurious. The decision below was that even though the firm honestly believed the notes genuine, and in good faith passed them to the Assistant Treasurer of the United States, who (under the like belief) received and paid for them, still the Government was entitled to recover if the notes were not genuine; and that, although the notes were printed from the genuine plates in the Department and were all ready to issue, yet if they were not in fact issued, they were not within the statute, and the Government must recover. The decision here reverses the judgment, and remands the cause to the Circuit Court with directions to reverse the judgment of the District Court and send the cause back for a new trial. The Chief Justice delivered the opinion. Dissenting Justices Clifford, Field and Bradley. Mr. Justice Miller did not sit at the hearing of the cause, and took no part in the decision.

**EXCHANGE OF SECURITIES BEFORE BANKRUPTCY.**—In the case of *Sawyer et al. v. Turpin et al.*—(Appeal from the Circuit Court of Massachusetts.)—It is decided by the U. S. Supreme Court that a bill of sale, made by a bankrupt more than four months prior to the petition in bankruptcy to secure a fore-existing debt, being valid, a mortgage subsequently given in lieu of the previous conveyance, though within four months next preceding the petition, was also valid, being a mere change in the form of security, and not withdrawing any property which had not been withdrawn by the bill of sale. Affirmed. Mr. Justice Strong delivered the opinion.

**CALIFORNIA.**—At the commencement of 1875, the banking capital of this State was \$140,000,000 gold, but since then it has been materially augmented, and is now not less than \$154,000,000. The incorporated and private banks of San Francisco, exclusive of the savings and loan societies, have an aggregate deposit of \$30,000,000, and like institutions in the interior have about \$6,000,000 more; add to these the \$72,000,000 in the various savings banks of the State, and we find a grand total deposit of \$108,000,000. The joint capital stock of the banks does not vary much from \$40,000,000, while their surplus assets may be reasonably estimated at \$60,000,000, making a grand total banking capital of \$154,000,000. An exhibit like this, immediately following on the heel of calamities that deranged all the currents of business, can not fail to convince even the most skeptical of the inherent wealth and financial power of California. And it is all the more astonishing, in view of the fact that in the midst of our troubles we were shipping large amounts of gold and silver, having sent abroad nearly \$13,000,000 in excess of all treasure exports of 1874.—*Commercial Herald, San Francisco.*

**TAX ON MORTGAGES.**—At a meeting of the Presidents of the Savings Banks on Monday evening, February 7th, a resolution was adopted to refund all moneys paid to the several banks for the mortgage tax. The tax having been declared unconstitutional by the Supreme Court, at least one million dollars which has been in the banks for several years, will be refunded with interest less a small percentage for carrying on the litigation.—*Ibid.*

**BANK ROBBERY.**—On the night of February 17th the Kern Valley Bank, at Bakersfield, Cal., was entered by burglars while the cashier was working at the accounts. The robbers knocked down and chloroformed the cashier and robbed the bank of \$27,000, of which \$22,000 belonged to the County Treasurer. The cashier was found insensible on the table the next morning.

**CALIFORNIA.**—An organization of the San Francisco Clearing-House was effected on February 8th. The Committee appointed to secure the signatures of the banks as members of the Association, reported that the following had joined it: First National Gold Bank, Anglo-Californian Bank, Bank of California, Bank of San Francisco, Merchants' Exchange Bank, Bank of British Columbia, Bank of British North America, London and San Francisco Bank, Belloc Frères, B. Davidson & Co., Donohoe, Kelly & Co., Swiss-American, Hickox & Spear, Sather & Co., Wells, Fargo & Co. The Nevada Bank declined to join. The Pacific Bank and Tallant & Co. had not yet decided. The report was received and the committee discharged. A majority of representatives from the banks who had signed the Constitution being present, it was decided to go into the election of officers, which resulted as follows: President, Milton S. Latham, of the London and San Francisco Bank; Secretary, Ignatz Steinhart, of the Anglo-Californian Bank; Clearing-House Committee—The President, D. O. Mills, of the Bank of California; F. F. Low, of the Anglo-Californian Bank; A. McKinley, of the Bank of British North America; and Homer King, of Wells, Fargo & Co. On motion, the Committee were authorized to set the Clearing-House in operation. The meeting then adjourned.

**CONNECTICUT.**—On the morning of February 9th, the officers of the Bank of Commerce at New London, Conn., were unable to open its vault. An expert was set at work, who accomplished the task by six o'clock in the evening, and a robbery was then discovered. \$21,510 in money had been taken, while the bills receivable and other securities of the bank, amounting to about \$500,000, were packed up, but left on the floor of the vault. Upon investigation by a detective, it was found that one of the tellers of the bank, George Packer, was the robber. The stolen money was nearly all recovered. Packer is a young man of 25, whose character and standing had been excellent.

**INDIANA.**—The many friends of Mr. George W. Rathbone will hear with regret that protracted ill health has compelled his retirement from the position he has so long filled as President of the Evansville National Bank. Mr. Rathbone is one of the old school of Indiana State Bank Cashiers, who won deserved prominence as successful and honorable financiers. Mr. Samuel Bayard, formerly Cashier and for some years Vice-President, has been elected President of the Evansville National Bank, and Mr. David J. Mackey its Vice-President.

**KANSAS.**—On the night of February 1st, the Bank of Northrup & Sons, at Wyandotte, was entered by burglars, the safe blown open with powder and about \$3,000 dollars in currency carried off. Fortunately a large sum, which the thieves evidently expected to secure, had been sent by express to New York the morning before. No clue to the robbers was found.

**MAINE.**—Bad investments have brought disaster upon the Bucksport Savings Bank. A large amount of its investments are in railroad bonds, which have for some time past failed to pay interest. It cannot pay sixty cents on a dollar. Its deposits on July 29, 1875, amounted to \$173,315.81, and reserved fund \$1,908.50, making a total of liabilities of \$175,224.31.

The Solon Savings Bank, having met with losses through the depreciation of railroad bonds in which it has invested, is winding up its affairs. Henry Bodwell has been appointed Receiver.

**"WILDCAT" BANKING.**—The Grand Jury of Essex County, New Jersey, have made a presentment stating that many persons are conducting an ostensible banking-business in such a way as unreasonably to endanger the money of their customers. They allege that legislation is needed to meet cases of this kind, and maintain the law should also require the publication of detailed statements of assets and liabilities.

MASSACHUSETTS.—In a review of the one hundred and twelfth volume of Massachusetts Reports, just published, the Boston *Advertiser* brings to notice the following points in regard to contracts, the Sunday law, and the law of limitation in that State:

*Brannon vs. Hursell*, p. 63, decides a very important point, which has remained for a surprisingly long time in abeyance in this State. A promissory note was made payable four months after date, "with interest at ten per cent." It has been a common belief that such an instrument as this would carry interest at ten per cent. only till maturity, and thereafter would carry interest only at the legal rate of six per cent. The Court have now held otherwise, and say that the interest is to be computed at ten per cent. up to the date of verdict. "The plaintiff recovers interest, both before and after the note matures, by virtue of the contract, as an incident of part of the debt, and is entitled to the rate fixed by the contract." A good many plaintiffs have taken judgments within the last few years for much smaller sums than they would have been entitled to by virtue of this ruling.

*Clapp vs. Hale*, p. 368, holds that an indorsement of a payment made upon a promissory note upon a Sunday does not suffice to prevent the running of the statute of limitations.

*Boston*.—The Boston *Commercial Bulletin*, advertising to the Winslow forgeries, says:

"Upon the loan market the effect has been to intensify, if that were possible, the already strong feeling of distrust which pervades the atmosphere of bank parlors, and to increase the closeness of the scrutiny to which all names, almost without exception, are subjected. Taken in connection with many of the recent fraudulent failures, it has directed the attention of capitalists and bank managers to the practicability of devising some plan by which a lender may know the outstanding liabilities of a would-be borrower. After the Collie failures in England last summer, several plans were suggested for the detection of accommodation paper, and it is certain that one of them must be adopted in the near future in our principal commercial cities, if we are to carry on business on our present extended credit system without the risk of continual convulsions. The three most prominent methods proposed are, first, to have each note specify the purpose for which it is made and the particular lot of merchandise or what not which it represents; second, a systematic and confidential registration at the Clearing-House of all paper held by the various banks, the names of the banks not being given; third, a provision by which, on application as to the amount of paper of any given name or firm, the various banks shall give, on a slip sent by the manager of the Clearing-House or other agent, the amount held by each individual bank, also without the name of the bank if thought proper. It is thought probable that for a long time to come our banks will be imposed upon by very little of this accommodation paper, so great is the suspicion entertained for the article at present; but that considerable amounts are still outstanding no one can doubt who reads the particulars in the weekly list of failures."

STARTLING ROBBERY.—The most extensive robbery of recent years is that of the Northampton National Bank, at Northampton, Mass., which was effected by masked robbers on the night of Tuesday, January 25. The amount stolen is said to approach \$1,000,000, of which nearly half are negotiable securities. The robbery was accomplished by seven men, who are said to have been hanging about the town for a month. They entered the house of Cashier Whittlesey and bound, gagged and guarded for hours seven people. They compelled him to give the combinations of the safe vault; waited until they knew the night watchman had gone home, and then entered the bank. An expert had to be summoned from New York, and the lock was not opened until the morning of the 27th. Cashier Whittlesey, when asked to give the three combinations to the vault doors, gave them wrong twice and thrice, but the burglars wrote them down and made him repeat them, and, when thus caught in the attempt to mislead them, the exhibition of a pistol compelled him to reveal the true numbers, though he told them that four keys were necessary to open the patent lock, three of which were at the houses of the other bank officers. At 4 A. M. Mr. Whittlesey was taken downstairs. The

whole family were gagged, and four of the burglars withdrew to operate on the bank. Three hours afterward Mrs. Whittlesey succeeded in freeing herself and gave the alarm from a window. It is believed that from \$200,000 to \$300,000 of negotiable private property was stolen besides the registered bonds and certified stock. Bank-Examiner Needham has examined the condition of the bank, and reports that there has been abstracted in money and available assets property amounting in cash value to \$76,250; of property held as collateral, and which can be made available, \$35,700, making a total possible loss to the bank of \$111,250. As the bank had a surplus of \$239,379, the charging to this fund of the entire loss would still leave to credit of surplus over \$127,000. The plunder includes \$2,900 in unsigned \$5 notes of the bank, bank Nos. 1 to 145, and department Nos. 229,751 to 229,895, series of 1875. Payment of these notes will be refused at the Redemption Agency at Washington.

**MISUSE OF THE NAME "BANK."**—The following is a copy of a law passed at the last session of the Legislature of Michigan. It took effect August 3d, 1875:

A bill to amend chapter forty of the compiled laws of 1871, entitled "Brokers and exchange dealers," being "An Act relative to brokers and exchange dealers," approved February 11, 1859, by adding four new sections thereto, to stand as sections six, seven, eight, and nine of said act."

**SECTION 1.** *The People of the State of Michigan enact,* That chapter forty of the compiled laws of 1871, be and the same is hereby amended by the addition of the following sections, to stand as sections six, seven, eight, and nine:

**SEC. 6.** No person or firm doing business under this act shall advertise or put up signs, or use any device or contrivance whatever, tending to convey the impression that the place of business of such person or firm is an organized bank; but in all such cases such person or firm, if they advertise at all, must use their individual or firm name, and state in such advertisement the names of every member of such copartnership or firm; in case any person or persons shall violate any of the provisions of this section, they shall be deemed guilty of a misdemeanor, and shall each, upon conviction, be punished by a fine of not more than two hundred dollars and costs, or by imprisonment of not more than six months in the county jail: *Provided,* The words "bank," "banking office," or "exchange office" as a sign over the door or on the building, or used on notes, checks, or drafts, in connection with the individual or firm name, shall not be deemed a violation of the foregoing.

**SEC. 7.** The State Treasurer shall, when his attention is called to violations of any of the provisions of this act, refer the same to the Attorney-General, who shall proceed, when warranted by the evidence, to collect the penalties as herein set forth; and all suits or proceedings for the violation of any of the provisions of this act shall be first commenced in the Circuit Court of the County in which the business office of said person or firm is located.

**MISSOURI.**—The official returns of their condition made by the State banks of Missouri to the Secretary of State in January, 1876, show that there are 113 banks, having an aggregate capital of \$9,205,749. Their loans and discounts were \$24,412,707, and their deposits \$25,959,084.

**NEBRASKA.**—Messrs. Kountze Bros., No. 12 Wall street, New York, have been designated fiscal agents for the State of Nebraska, and all bonds of the State, or of the counties, towns, townships, and school districts thereof, will hereafter be payable at their office in this city.

**OHIO.**—J. R. Helman, President of the Farmers' Bank of Wooster, Ohio, and Treasurer of the County, is reported to have absconded on the night of February 9th. A "deficiency" of \$60,000 has already been discovered in his accounts.

**BANK LOCKS.**—The chronometer-lock of the First National Bank of Springfield, Mass., got out of order on the night of February 18th, and it was found necessary, after twenty-four hours' effort, to break into the vault through the top.

RHODE ISLAND.—Governor Lippitt's inaugural address before the Legislature represents the finances of the State as being in a healthy and prosperous condition. There is a balance in the Treasury of \$477,238.81; the bonded debt of the State amounts to \$2,563,500; from which may be deducted the amount of the sinking fund, \$181,000, leaving the present indebtedness \$2,382,500. The municipal indebtedness of the entire State amounts to \$9,869,737.11. The capital stock of railroads, the whole or a portion of which are located in this State, amounts to \$37,247,315. The total indebtedness is \$15,427,385. The net earnings for the year were \$2,131,002. Total number of passengers transported during the year, 20,575,973.

TEXAS.—The Galveston Bank and Trust Company and Safe Depository has commenced business at Galveston under a State charter, with a capital of \$250,000. The officers are, H. Rosenberg, President; J. M. Brown, Vice-President; C. F. Hohorst, Cashier. New York correspondent, the German-American Bank.

Dallas.—A new institution called the State Savings Bank has commenced business at Dallas, under State charter, with a capital of \$100,000. The officers are E. H. Gruber, President, and Samuel Leighton, Cashier. Both these gentlemen were formerly connected with the First National Bank of Dallas, Mr. Gruber as Cashier and Mr. Leighton as Teller. Their New York correspondent is the Importers and Traders' National Bank.

THE CHEQUE BANK, LONDON.—It was decided at a meeting held on January 21st, to continue the business of the bank on existing principles, but with certain modifications, which Mr. James Hertz has taken the opportunity offered by reconstruction to introduce. Practically the existing bank will be taken over by a new company formed by those of the old and such new shareholders as are willing to carry on the experiment. There will be no break in the business, and all the difference between the new bank and the old will consist in simplification of points of detail, and a limitation of the amount of capital that can be spent further to test the undertaking. An arrangement as to keeping the working account of the bank with the Bank of England will, it is believed, both facilitate the clearing operations which the Cheque Bank does for itself and yield it a more certain profit. Mr. Hertz will continue to act as managing director, and we may hope that this renewed effort will be crowned with success.—*British Mail*, Jan. 31.

SAFEGUARDS AGAINST BURGLARS.—Bank vaults and safes should be protected by locks that cannot be unlocked during certain hours, even by those acquainted with the combination or having keys.

By a simple arrangement Messrs. Herring & Co., the well-known safe and lock manufacturers, attach a chronometer movement to their bank locks. This is set to unlock at a certain time, and cannot, under any circumstances, be unlocked before the expiration of that time. It possesses the peculiarity and advantage over other time locks, that it combines the protection of both a time and combination lock; and should the movement stop running, or by any means get out of order, it can yet be operated and unlocked; but this operation would require the same length of time as that remaining unexpired at time of stoppage. Thus, if the movement were to stop after nine hours, when it was set for twelve hours, it would require three hours to unlock.

Such an event as the stopping of the movements is not probable, as they are of the finest workmanship. But banks, using the ordinary time lock, have been locked out. As will be readily seen, there is no such risk with the new Herring lock.—*New York Evening Post*.

#### WANTED.

AN EXPERIENCED BANKER desires to obtain a position as CASHIER of a stock or private bank. Can give good reference and bonds.

Address "BANKER"—Care of Carrier No. 4, Detroit, Michigan.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

*(Monthly List; continued from February No., page 665.)*

## FEBRUARY, 1876.

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank and President.</i>	<i>N. Y. Correspondent and Cashier.</i>
COL.....	Del Norte.....	Bank of San Juan.....	Kountze Brothers.
" .....	" .....	Porter & Middaugh.....	Kountze Brothers.
CONN....	Hartford.....	Security Company.....	First National Bank.
		Robert E. Day, <i>Pr.</i>	William L. Matson, <i>Tr.</i>
ILL ....	Greenview ....	Alkire & Co.....	American Exchange Nat. Bank.
" .....	Kewanee .....	People's Bank.....	National Currency Bank.
" .....	Pana.....	Hayward & Schuyler.....	Ninth National Bank.
" .....	Dwight.....	Zophar Tuttle .....	Bank of New York.
" .....	Minier.....	Williams, Railsbach & Co.	.....
IOWA ...	Lenox.....	G. L. Brooks.....	Fifth National Bank, Chicago.
" .....	Nashua.....	A. J. Fell's Nashua Bank..	First National Bank.
" .....	Sumner.....	Green & McFarland .....	City National Bank, Chicago.
KAN ....	Larned.....	Valley Bank.....	Fourth National Bank.
" .....	Irving.....	Warden & Walker.....	Corbin Banking Co.
KY.....	Flemingsburgh	Fleming County Nat. Bk.	.....
	\$50,000	E. E. Pearce, <i>Pr.</i>	Thomas S. Andrews, <i>Cas.</i>
MASS... Palmer.....	Palmer National Bank....	Nat. Bank Redemption, Boston.	
		Marshal W. French, <i>Pr.</i>	Leonard Green, <i>Cas.</i>
MICH....	Albion.....	J. M. Peabody .....	Importers & Traders' Nat. Bk.
" .....	Grand Ledge..	George N. Berry.....	Importers & Traders' Nat. Bk.
" .....	Schoolcraft....	E. B. Dyckman & Co.....	Importers & Traders' Nat. Bk.
MINN... New Ulm.....	Citizens' National Bank...	.....	.....
	\$36,000	Michael Mullen, <i>Pr.</i>	John C. Rudolph, <i>Cas.</i>
N. Y.... Boonville .....	First National Bank.....	.....	.....
	\$75,000	Joseph R. Tharratt, <i>Pr.</i>	Clark Dodge, <i>Cas.</i>
" .....	Afton.....	E. M. Johnson & Co.....	National Broadway Bank.
" .....	Havana.....	Elbert P. Cook.....	Tradesmen's National Bank.
N. C.... Greensboro ...	Nat. Bank of Greensboro..	.....	Merchants' Exchange Nat. Bk.
	\$50,000	Jesse H. Lindsay, <i>Pr.</i>	Julius A. Gray, <i>Cas.</i>
" .....	Wilson.....	First National Bank.....	Importers & Traders' Nat. Bk.
	\$51,000	Willie D. Rountree, <i>Pr.</i>	John Hutchinson, <i>Cas.</i>
" .....	Winston.....	First National Bank.....	.....
	\$40,000	Joseph A. Bitting, <i>Pr.</i>	J. W. Alsbaugh, <i>Cas.</i>
OHIO....	Kenton.....	Hardin Savings Bank.....	Ninth National Bank.
" .....	Lodi.....	Henry Ainsworth .....	Ninth National Bank.
PENN... Curwensville..	Curwensville Bank.....	.....	Importers & Traders' Nat. Bk.
" .....	Knox P. O....	Edenburg Bank.....	Ninth National Bank.
" .....	Bradford.....	Whitney, Wheeler & Co..	F. Prentice, 24 Pine.
S. C.... Bamberg .....	Isaac Bamberg .....	.....	J. J. Nicholson & Sons, Balt.
" .....	Orangeburgh ..	Kirk Robinson.....	J. J. Nicholson & Sons, Balt.
TEXAS.. Galveston .....	Wilmerding & Co .....	.....	Bank of North America.
" .....	Dallas.....	State Savings Bank.....	Importers & Traders' Nat. Bk.
VA..... Fincastle.....	Bank of Fincastle.....	.....	J. J. Nicholson & Sons, Balt.
W. VA.. Philippi.....	Farmers' Bank.....	.....	J. J. Nicholson & Sons, Balt.
WIS.... River Falls....	Bank of River Falls.....	.....	M. K. Jesup, Paton & Co.



## DISSOLVED, DISCONTINUED, OR CHANGED.

(Monthly List, continued from February No., page 667.)

Heidelberg, Frank & Co., *New York City*; succeeded by Heidelberg, Ickelheimer & Co.COL..... Chick, Browne & Co., *Granada*; moved to La Junta, N. M." ..... C. T. Hathaway & Co., *Alma*; discontinued.CONN... W. L. Matson, *Hartford*; succeeded by the Security Company.ILL..... Anderson & Shumway, *Pana*; succeeded by Hayward & Schuyler." ..... John Durham, *Kankakee*; closed." ..... T. A. Hardin & Co., *Blandinsville*; succeeded by McVey & Pancake." ..... McFerron & Chamberlain, *Hoopestown*; succeeded by J. S. McFerren.IOWA... George A. Wells, *Fairfield*; suspended." .... Hill & Emmert, *Sibley*; succeeded by H. L. Emmert.MICH... First National Bank, *Schoolcraft*; succeeded by E. B. Dyckman & Co.MO..... Farmers & Traders' Savings Institution, *St. Louis*; in liquidation." ..... Guardian Savings Bank, *St. Louis*; closed.NEB..... J. S. McIntyre & Co., *Hastings*; succeeded by Adams County Bank.N. Y..... Burt & Co., *Buffalo*; succeeded by David W. Burt." ..... Bank of Havana, *Havana*; succeeded by Elbert P. Cook." ..... Bank of Cazenovia, *Cazenovia*; closed.N. C.... Bank of Greensboro, *Greensboro*; succeeded by National Bk. of Greensboro." .... Bank of Wilson, *Wilson*; succeeded by First National Bank.OHIO... Haskell's Bank, *Loudonville*; succeeded by Loudonville Banking Co." .... T. J. McLain, *Warren*; suspended." .... Williams' Bank, *Kenton*; succeeded by the Hardin County Savings Bank." .... Stibbs, Hanna & Co., *Wooster*; succeeded by Kauke & Frost." .... T. S. Johnson, *Wooster*; assigned." .... First National Bank, *Lodi*; succeeded by Henry Ainsworth.PENN... First National Bank, *Curwensville*; succeeded by Curwensville Bank." .... Reynolds, Hukill & Co., *Oil City*; suc. by Reynolds, Lamberton & Co.TEXAS.. J. W. Ozment, *Palestine*; closed." .. Pollard, Ball & Roach, *Weatherford*; discontinued.

## THE PREMIUM ON GOLD AT NEW YORK,

JANUARY—FEBRUARY, 1876.

1875.	Lowest.	Highest.	1876.	Lowest.	Highest.	1876.	Lowest.	Highest.
January..	11¾	13¾	Jan. 21 ..	12¾	13¾	Feb. 7 ..	12¾	12¾
February.	13¼	15¾	.. 22 ..	13	13	.. 8 ..	12¾	13
March ...	14½	17	.. 24 ..	13	13¾	.. 9 ..	12¾	12¾
April ....	14	15½	.. 25 ..	12¾	13¾	.. 10 ..	12¾	12¾
May .....	15	16¾	.. 26 ..	12¾	12¾	.. 11 ..	12¾	13
June .....	16¼	17¾	.. 27 ..	12¾	13	.. 12 ..	13	13¾
July .....	11¾	17¾	.. 28 ..	13	13¾	.. 14 ..	13¾	14¼
August ..	12¾	14¾	.. 29 ..	13	13¾	.. 15 ..	13¾	13¾
September	13¾	17¼	.. 31 ..	13	13¾	.. 16 ..	13½	13¾
October ..	14½	17¾	Feb. 1 ..	13	13¾	.. 17 ..	13½	13¾
November	14½	16¾	.. 2 ..	13	13¾	.. 18 ..	13½	13¾
December	12¾	15¼	.. 3 ..	13	13	.. 19 ..	13¾	13¾
1876.			.. 4 ..	12¾	13	.. 21 ..	13¾	14
January ..	12¾	13¼	.. 5 ..	12¾	12¾	.. 23 ..	14¾	14¾



<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y... Manufacturers' N. B., Amsterdam	H. P. Kline, <i>Cas.</i> .....	C. De Wolfe.
" ... First National Bank, Greenport..	G. C. Adams, <i>Ass't Cas.</i>	E. O. Corwin.
" ... " " " Port Henry	G. R. Sherman, <i>Pr.</i> ....	J. G. Witherbee.
" ... " " " Utica .....	Publius V. Rogers, <i>Pr.</i>	B. N. Huntington.
" ... " " " " .....	John A. Goodale, <i>Cas.</i> ..	P. V. Rogers.
" ... State N. Y. Nat. Bk., Kingston..	Francis A. Waters, <i>Cas.</i>	C. Burhans.
" ... Syracuse National Bk., Syracuse	Andrew D. White, <i>Pr.</i> ..	J. H. Chedell.
N. C... Raleigh National Bank of N. C. .	William H. Battle, <i>Pr.</i> ..	W. H. Willard.
OHIO.. First Nat. Bank, East Liverpool.	Josiah Thompson, <i>Pr.</i> ..	D. Boyce.
" .. " " " Lima .....	R. Mehaffey, <i>Pr.</i> .....	W. F. Coulson.
" .. " " " " .....	Wm. F. Coulson, <i>Cas.</i> ..	S. Taylor.
" .. Citizens' National Bk., Hillsboro.	C. M. Overman, <i>Cas.</i> ..	G. Foraker.*
" .. Chillicothe Nat. Bk., Chillicothe.	N. Wilson, <i>Pr.</i> .....	A. Douglas.
" .. " " " " " .....	D. C. Ruhrah, <i>Cas.</i> ....	.....
PENN.. Third National Bank, Allegheny.	H. A. Spangler, <i>Cas.</i> ..	W. A. Clemons.
" .. First National Bank, Lebanon...	John W. Mish, <i>Cas.</i> ...	G. Gleim.
" .. Easton National Bank, Easton...	McEvers Forman, <i>Pr.</i> ..	W. Hackett.
" .. " " " " " ...	John F. Gwinner, <i>Cas.</i> ..	W. Hackett, Jr.
R. I.... Cumberland N. B., Cumberland.	Davis Cook, <i>Pr.</i> .....	O. T. Ballou.
S. C... People's Bank, Charleston.....	Albert Lengnick, <i>Pr.</i> ...	G. E. Gibbon.
VA..... Bank of Manchester, Manchester	Socrates Brooks, <i>Pr.</i> ...	C. C. McRae.

\* Deceased.

---

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

Authorized January 22 to February 17, 1876.

<i>No.</i>	<i>Name and Place.</i>	<i>President and Cashier.</i>	<i>Capital.</i>	
			<i>Authorized.</i>	<i>Paid.</i>
2318	Citizens' National Bank, * New Ulm, MINN.	Michael Mullen..... John C. Rudolph.	\$50,000	\$36,000
2319	First National Bank, Winston, N. C.	Joseph A. Biting..... J. W. Alsbaugh.	55,000	40,000
2320	First National Bank, Boonville, N. Y.	Joseph R. Tharratt..... Clark Dodge.	75,000	75,000
2321	First National Bank, Wilson, N. C.	Willie D. Rountree..... John Hutchinson.	51,000	51,000
2322	National Bank of Greensboro, Greensboro, N. C.	Jesse H. Lindsay..... Julius A. Gray.	100,000	50,000
2323	Fleming County Nat. Bank, Flemingsburgh, Ky.	E. E. Pearce..... Thomas S. Andrews.	50,000	50,000
2324	Palmer National Bank, Palmer, MASS.	Marshal W. French..... Leonard Green.	75,000	39,425

---

RESPONSIBILITY OF NEGOTIATORS.—Messrs. Baring Brothers, the eminent London bankers, for many years the bankers of the United States Government, not very long ago specially recommended as an investment the sterling bonds of the Eastern Railroad Company of Massachusetts, and sold of them £600,000. The Company being unable to pay interest, the firm has now issued a circular giving notice that it will pay full interest on the bonds issued through its house, said interest being due in March and September. So high a sense of honor is a gratifying contrast to the tricks of financial jugglers, which so frequently disgrace our day.

## NOTES ON THE MONEY MARKET.

NEW YORK, FEBRUARY 21, 1876.

*Exchange on London at sixty days' sight, 4'85½ a 4'86, in gold.*

The money market has become more easy. Call loans range at 2 to 4 per cent. In discounts there is no new movement. Good bills pass at 4½ to 5½ per cent. Very little prime paper is making. The accumulation of the deposits in the banks is still on the increase, although, from peculiar circumstances, there has been a reaction during the last week. The deposits in the Clearing-House banks, as shown in the statement to-day, have sustained an average decline of \$796,300. But the loans have increased \$1,454,700, and the legal tenders \$1,072,200. The specie has declined \$2,459,700. The subjoined table will show the comparative movement for several weeks past in the New York Clearing-House banks:

1876.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Exchanges.
Jan. 29....	\$262,207,000	\$22,481,700	\$48,030,000	\$17,757,300	\$220,023,900	\$401,799,429
Feb. 5....	266,067,400	23,570,800	47,356,200	17,449,300	224,509,100	445,259,701
" 12....	266,556,700	24,504,600	47,895,600	17,293,500	225,558,500	416,455,597
" 19....	268,011,400	22,044,900	48,967,800	17,183,100	224,762,200	444,910,717

The Boston Clearing-House statements compare as follows:

1876.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Jan. 29.....	\$133,805,700	\$3,276,200	\$7,683,400	\$80,032,200	\$24,766,300
Feb. 5.....	133,492,500	3,361,400	7,176,600	79,681,600	25,081,000
" 12.....	133,559,300	3,454,900	6,211,200	79,844,800	24,810,000
" 19.....	133,084,200	3,102,000	5,560,400	79,654,900	24,446,000

The Philadelphia statements are as follows:

1876.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Jan. 29.....	\$57,124,130	\$704,875	\$16,706,777	\$48,780,884	\$10,515,037
Feb. 5.....	58,234,509	893,128	16,328,689	48,980,572	10,524,805
" 12.....	58,248,737	799,980	16,020,026	48,139,494	10,526,989
" 19.....	58,532,412	701,882	15,522,575	47,028,313	10,524,852

The stock market has shown some irregularity. Governments are strong and prices have advanced, partly in sympathy with gold, and partly from other causes. The import of bonds from Europe has been less this week than for some time past. It is well known that there has been evinced of late on the Continent of Europe a disposition to sell United States securities, and this fact is variously interpreted. Some think the sales are due to the Cuban difficulties, and to an apprehension that we shall drift into a war. Others affirm that these troubles between Spain and the United States have nothing to do with the sale of our securities by investors abroad, inasmuch as these parties have made profits on their speculative purchases of our bonds, and are selling out in order to realize those profits. Meanwhile, the Syndicate are said to be making efforts at Washington to obtain a new contract for the purchase of 500 millions of 4½ per cent. bonds to run 30 years. As new legislation will be necessary, and as our Government can do better than this, it is not expected that the Syndicate will be successful, especially as the United States Government have never issued any 4½ per cent. bonds. When

the Funding Act was passed in 1870, the expectation was that the whole public debt could be funded at 4 per cent. The credit of the Government has much improved since then, and if the Syndicate find that they can not get a 4½ per cent. loan of 500 millions, they will, no doubt, be very glad to take 4 per cents. to a much greater amount. For it is certain that such bonds would very soon become extremely popular in Europe. If the English and Indian railway companies can borrow money at 4 per cent. on new loans, there is no reason whatever why our Government should pay more than 4 per cent. to refund old loans.

Railroad bonds are active and strong. The demand is not quite as discriminating as formerly. The bonds of the best roads have the preference, but those of defaulted companies are no longer neglected. State stocks are quiet. Railroad shares are irregular. The fluctuations of the market are shown in the subjoined table:

QUOTATIONS:	Jan. 23.		Feb. 1.		Feb. 8.		Feb. 15.		Feb. 21.
Gold.....	113	..	113½	..	112¾	..	113¾	..	113¾
U. S. 5-20s, 1867 Coup.	122¾	..	122	..	121¾	..	122¾	..	122¾
U. S. new Fives Coup.	118½	..	117¾	..	117¾	..	118½	..	118¾
West. Union Tel. Co.	77	..	78¾	..	77¾	..	76¾	..	73¾
N. Y. C. & Hudson R.	110¾	..	111½	..	113	..	116¾	..	115¾
Lake Shore.....	67	..	67½	..	66½	..	66¾	..	65¾
Chicago & Rock Island	107¾	..	108¾	..	109½	..	110¾	..	110¾
New Jersey Central...	106¾	..	107¾	..	109¾	..	108	..	108½
Eric.....	17¾	..	17	..	17	..	17¾	..	17¾
Pacific Mail.....	38¾	..	37¾	..	35¾	..	35¾	..	33¾
Union Pacific.....	68¾	..	69¾	..	68¾	..	69¾	..	68¾
North Western pref...	59¾	..	62¾	..	63	..	67	..	65¾
Bills on London.....	4.85½-4.89½	..	4.86-4.90	..	4.85¾-4.89½	..	4.85¾-4.89¾	..	4.86¾-4.89¾
Call loans.....	445	..	447	..	244¾	..	244	..	244
Discounts.....	5a7	..	5a7	..	5a7	..	4½a7	..	4½a7
Treasury balances, cur.	\$ 37,169,662	..	\$ 37,780,654	..	\$ 37,319,642	..	\$ 37,721,092	..	\$ 37,520,791
Do. do. gold	47,143,529	..	49,911,326	..	47,370,419	..	49,804,266	..	47,197,805

Some excitement has prevailed of late in the Gold Room. The export last Thursday was \$1,550,000, and the report was industriously fostered that for some time to come we are likely to export as much, or more, every week. These reports were sustained by the announcement that \$800,000 in gold were to be shipped by the steamers of last Saturday. As this announcement proved false, the other statements which had been built up upon it were somewhat discredited. The recent advance of 1 per cent. is believed to be partly speculative. Still, as is indicated by the quotations, there is some uneasiness in the market in consequence partly of the revival of the German demand for gold, and partly of the reports as to the limited supply of cash gold in this market. All the great banks in Europe show an accumulation of coin and bullion. Last week the Bank of England reported a gain of \$1,850,000, the Bank of France reported a gain of \$3,692,000, and the Imperial Bank of Germany reported a gain of \$1,240,500. It thus appears that the total amount of gold which these three banks have locked up during the week is \$6,782,500. Foreign exchange is firm, with little doing. The price ranges a little below the specie shipping point. The expectation is that the market will be more steady than it has been. One reason for this belief is reported to be that very few new loans by railroads and municipalities are expected to be negotiated abroad during the current year. Whether this expectation will be realized it is impossible to say. Last year the total amount of railway loans negotiated in England was reported at \$40,839,000, and of Government loans at \$65,862,500. Of the latter class of loans Brazil took \$24,125,000 for 5 per cent. bonds sold at 96¾; Russia took \$36,800,000 on 4½ per cent. bonds at 92; and Sweden took \$4,937,500 on 4¾ per cent. bonds at 98¾. With regard to the American loans

of various kinds negotiated last year in London the aggregate is reported at \$42,950,000, of which the Baltimore & Ohio Railroad took \$6,500,000; the Central Railroad of New Jersey, \$3,000,000; the Chicago & Alton Railroad, \$1,000,000; the Delaware & Hudson Canal, \$2,000,000; the Keokuk & Kansas City Railroad, \$2,500,000; the Lehigh Valley Railroad, \$3,000,000; the Northern Central Railroad, \$1,000,000; the Pennsylvania Railroad, \$15,000,000; the United New Jersey Railroad & Canal, \$2,300,000; the Utica, Ithaca & Elmira Railroad, \$1,500,000; and the Western Union Telegraph, \$5,150,000. All these loans were negotiated on favorable terms, and we do not at all see why the theory should be started that at least an equal amount of loans will not be effected this year. We incline to think the indications are in favor of an increase rather than a falling off in the demand for American securities in Europe. This probability is the greater from the fact that approved loans from other countries are scarce. The loans brought out in London last year compare as follows with those of previous years :

## LOANS, &amp;c., NEGOTIATED IN LONDON, 1872-1875.

	<i>By New Companies.</i>	<i>By Old Companies.</i>	<i>By Foreign Governments.</i>	<i>Total Loans, &amp;c.</i>
1872.....	\$220,905,000	\$159,433,175	\$1,138,909,125	\$1,519,247,300
1873.....	221,873,720	179,855,155	644,203,500	1,045,932,375
1874.....	102,562,400	125,119,900	145,700,000	373,382,300
1875.....	37,205,000	69,990,000	79,000,000	177,195,000

The total outstanding circulation of the National Banks, with the amount of bonds deposited in Washington, compare as follows:

<i>Week ending</i>	<i>Notes in circulation.</i>	<i>Bonds for circulation.</i>	<i>U. S. deposits.</i>	<i>Total bonds.</i>	<i>Coin in Treasury.</i>	<i>Coin Certificates.</i>
May 22...	\$350,012,329	\$379,186,900	\$15,967,200	\$395,154,100	\$92,551,522	\$20,119,800
June 5....	350,780,279	378,938,900	15,917,200	394,856,100	83,927,204	19,777,200
June 12....	349,257,859	378,176,400	15,942,200	394,118,600	83,608,659	19,248,300
June 19....	348,994,474	376,860,400	15,892,200	392,752,600	77,016,446	19,803,100
June 26....	349,462,839	376,585,600	15,817,200	392,402,800	69,945,673	18,489,700
July 3....	349,285,309	375,735,000	15,792,200	391,527,200	.....	.....
July 10....	349,735,164	375,333,000	15,792,200	391,125,200	69,608,526	23,673,800
July 17....	351,613,724	375,197,362	15,792,200	390,989,562	68,860,027	23,309,400
July 24....	350,764,469	374,753,362	18,792,200	393,545,562	66,926,937	22,628,300
July 31....	349,835,249	374,894,362	18,792,200	393,686,562	.....	.....
Aug. 7....	348,937,939	374,927,862	18,792,200	393,720,062	71,953,412	22,657,200
Aug. 14....	349,205,093	374,917,762	18,792,200	393,709,962	70,716,887	19,740,700
Aug. 21....	349,130,000	374,788,762	18,792,200	393,580,962	70,738,807	18,561,000
Aug. 28....	348,725,018	374,531,762	18,792,200	393,323,962	70,223,690	17,510,400
Sept. 4....	348,011,138	373,812,762	18,792,200	392,604,962	.....	.....
Sept. 11....	347,980,000	373,382,762	18,792,200	392,174,962	66,730,316	16,389,400
Sept. 18....	347,578,483	373,077,762	18,792,200	391,869,962	65,927,109	12,722,400
Sept. 25....	347,720,223	372,150,762	18,792,200	390,942,962	66,924,152	12,435,000
Oct. 2....	346,994,193	371,489,252	18,782,200	390,271,452	.....	.....
Oct. 9....	346,769,853	369,791,762	18,782,200	388,573,962	68,784,332	12,477,100
Oct. 16....	346,813,776	368,957,212	18,782,200	387,639,412	70,472,506	12,775,600
Oct. 23....	344,458,128	368,119,917	18,760,000	386,879,917	69,070,408	11,562,300
Oct. 30....	346,805,616	367,799,412	18,730,000	386,529,412	.....	.....
Nov. 6....	345,799,108	366,658,312	18,730,000	385,388,312	72,042,514	16,069,900
Dec. 18....	343,938,278	364,690,112	18,626,500	383,316,612	69,206,263	21,447,000
Jan. 22....	343,253,577	362,108,062	18,626,500	380,734,562	73,200,709	34,429,000
Feb. 19....	341,557,911	358,428,650	18,621,500	376,050,150	75,051,625	33,786,900

The Secretary of the Treasury sent to the House of Representatives, on February 10, a communication stating that from January 14 to December 1, 1875, the silver bullion purchased by the Treasury amounted to 8,473,023 ounces, at a cost of \$9,390,446 in gold, the average price being nearly one dollar eight cents and three mills per ounce.

The San Francisco *Journal of Commerce* states the amount of silver held by the banks of that city on February 5 as follows:

	1876.		1875.
	Silver coin.	Trade dolls.	Silver coin.
Totals.....	\$ 914,608	\$ 115,471	\$ 414,370
Increase in 1876.....			\$ 615,709

Of the production of silver, the *Atta California* thus speaks:

"In all the statements of papers and individuals the idea of the Comstock yield is put down as silver, and no note taken or made that nearly one half of the bullion is gold. It is all reported as silver, while, as just stated, nearly one half must be deducted. Thus, in 1871 the total yield of bullion from the Comstock mines was \$20,644,703, of which 45 per cent. was gold, which materially reduces the amount of silver bullion produced that year. In the year 1872 the yield from the same source was \$12,630,675, with the same proportion of gold. In 1874 the product was \$21,910,124, with 49 per cent. gold, and in 1875 the yield is estimated at \$25,000,000, with a like proportion of gold.

"The best posted experts estimate the product of the Comstock lode for the year 1876 at between forty and forty-four million dollars, of which over 40 per cent. will be gold. There is nothing alarming in these figures to depress the price of silver—little more than the vaunted, pronounced and believed twenty millions per month for the whole year."

The Treasury Department has given a statement of the paper money contraction since the passage of the Act of January 14, 1875, to February 1, 1876. The items are as follows:

Permanent Reduction of legal-tender and fractional currency circulation, 80 per cent.	
of new bank circulation.....	\$ 11,775,481
Legal tenders on hand to redeem circulation.....	22,431,798
Net reduction of National Bank currency.....	8,993,271
Total contraction .....	\$ 43,200,550

If to this be added the increase of notes in the vaults of issuing banks, the aggregate will exceed fifty million dollars.

Reports from Washington indicate apprehensions of a check to the operations of the Redemption Bureau, from the want of currency, unless prompt action be taken by Congress by passing the Deficiency bill for the Printing Bureau, amounting to over \$300,000. The printing of currency, including greenbacks and National Bank notes, has been stopped entirely, and the sum named is needed to continue the work until the end of the fiscal year. Over 1,000 operatives may here be thrown out of employment, and the Secretary of the Treasury comes to Congress and asks for the money to set the presses going again. Treasurer New is said to have in his vaults enough currency to last for two months, while currency for redemption is coming in very fast, and the general circulation throughout the country is in a bad condition. Much of the currency sent in, however, is fit for circulation, and it is intended to assort it and send it out again.

## DEATHS.

At WASHINGTON, D. C., on Thursday, January 6, aged twenty-six years, ROBERT M. POTTS, Assistant Cashier of the German-American Savings Bank.

At HUDSON, N. Y., on Friday, February 4, aged sixty-four years, SAMUEL BACHMAN, President of the Farmers' National Bank of Hudson.

THE  
BANKER'S MAGAZINE,  
AND  
Statistical Register.

---

VOLUME X, }  
THIRD SERIES. }

APRIL, 1876.

No. 10.

---

OUR BANKING SYSTEM AND ITS DANGERS.

One of the most interesting events of last month was the sudden and unexpected stoppage of the National Bank of the State of New York in this city. This institution was an old, conservatively managed bank with a capital of two millions, and a large surplus, reported in December last at \$400,000. Among its stockholders were some of the most opulent and experienced bankers of this city. The suspension of such a bank has naturally attracted a good deal of comment, and the lessons which the disaster suggests have been discussed with much ability by the press. Of course the most important of these lessons are such as affect the guarantees of our banking stability. So many causes of a general and local character are in operation to test the strength of our financial system, that it is well for us to examine the edifice with the minutest care, so that we may know whether it is competent for the work it has to do. A prudent mariner foresees the approach of the storm, and before it comes he prepares his ship to meet it. We do not wish to excite the fears which are but too rife in certain quarters, as to some financial catastrophe which is supposed to threaten us in the early future. Our dangers are probably of a very different sort from those predicted by the croakers. Still, it is the part of wisdom to make all needful preparation; and one of the first conditions is to examine the actual state of our financial barque, with a view to ascertain its stability, and its power to resist any probable pressure to which it may be exposed in the early future. All experience shows that the best way to reform in any country the existing system of banking is to watch each dis-



aster as it occurs, and to take effective precautions against a repetition of a similar evil. The troubles in the Bank of the State of New York will be of service if they are dealt with on this principle.

As we have said, the bank in question had a large paid-up capital. It is well known that this is one of the fundamental requisites for a strong, stable bank. Its capital should be ample without being unwieldy or excessively large; moreover, the surplus was considerable, and the aggregate of capital and surplus amounted to very little short of the sum of the bank deposits. Another fact of importance is that the reserves of the bank have always been large. When the bank closed its doors it is reported to have held more than a million of legal tenders, and \$325,000 in specie. As its deposits were only about two and a half millions, and its circulation no more than \$247,900, the position of the bank appeared, when tried by the ordinary tests, to be perfectly solvent and exceptionally strong. From these facts many persons have deduced the inference that the public statements of the banks are of no value at all as guarantees of the stability of the banking system, or of the solvency of the individual institutions of which it is made up. This is a very illogical conclusion, and is equally vicious in reasoning and false in fact.

When the report of the new Board of Directors is published, the public will be put in possession of some facts which are necessary to enable us to understand more fully the circumstances attending the suspension. What is known is briefly this: Mr. Meigs, the Bank Examiner, employed in the city of New York by the Comptroller of the Currency, visited in the ordinary course of his duty the Bank of the State of New York. He found its reserves of greenbacks and specie very large, and many other things about the bank perfectly sound. Indeed, there was but one thing lacking. That defect was, however, fatal. The bank had been lending money on unbankable securities, and its means were consequently locked up to the extent of more than a million of dollars. The chief blame seems to have been ascribed to the Vice-President, Richard Patrick, whose own debts to the bank were reported at \$230,000, partly secured by real estate.

Of course the duty of the Bank Examiner, on making this discovery, was to report it to his superior officer, the Comptroller at Washington. Meanwhile the Clearing-House Committee made an examination of the bank. Finding that the capital was impaired, and that irregularities had been going on, they suspended the bank temporarily from the privileges of the Clearing-House Association. This prompt and needful action was subsequently approved by an overwhelming vote of the whole of the Clearing-House banks. Immediately after receiving the news of its suspension from the Clearing-House, the bank closed its doors, although it held in its vaults a million of greenbacks, with other available assets, sufficient to pay on demand all possible claims that could be presented, until its stockholders, who are men of great wealth and influence, had time to take the necessary action for sustain-

ing the bank. On the next day, March 15th, the Examiner presented several notes of the bank at its counter, but as they were paid in greenbacks, no receiver was appointed. A new Board of Directors was at once elected, with Mr. August Belmont as President, and the bank will either be wound up by its own officers, or it will resume business, as its Board of Managers may recommend and its stockholders decide.

In view of this disaster, not a few persons have affirmed that there must be something unsound in our National banking system, or it would not have suffered such abuses to have undermined any bank undetected and without suspicion. This loose and superficial method of reasoning might be pardoned during the heat and violence of a panic caused by the suspension of a bank which was previously in good credit. But no thoughtful man, unbiased by prejudice, can blame our National banking system for not doing that which no other system at home or abroad has ever succeeded in accomplishing. It must also be remembered that if the National bank machinery cannot give vigilance to bank directors or honesty to bank officers, it can at least find out the delinquents, and bring their career of imbecility or corruption or fraud to a speedy end. It was for this very purpose that its examiners were appointed. These officials are shrewd, trusty men, and expert accountants. By their visits once a year to every bank in the country, our National system is furnished with a most powerful means for discovering such abuses as have brought the old Bank of the State of New York into discredit and suspension. Instead, therefore, of finding fault that the conflagration has been kindled, we ought rather to be gratified that it has been so promptly extinguished. It has been often said that bad banking cannot be prevented under any system. If the stockholders of banks choose to put imbecility into office, mischief must be the result. The case before us shows, indeed, that under our National banking system the wrong-doers will not go long undetected. No other banking laws have, we believe, been devised in any country, whose action in this respect is so prompt and effective.

But another class of objectors complain that the Bank Examiner did not discover the mischief [sooner. These persons argue that if our system of bank examination is so good in its general influence, it is certainly capable of improvement in its details. Once a year is not often enough for the regular examinations. They should be made quarterly, or, in special cases, at more frequent periods. In reply to this it has been said that the expedient of Bank Examiners is new and tentative, and that it partakes of the nature of an experiment. Hence the Comptroller's annual reports seldom refer to it. Since the foundation of the National banking system no case has occurred which has so completely demonstrated the utility of the Bank Examiners, or has called the public attention to the important services they are capable of rendering for the prevention of bad banking, and the detection of similar abuses for which it is so hard to devise any other remedy. Our

space forbids us to do more than give a brief mention at present to another suggestion which has been made for the prevention of some of the dangers of future bank failures. The New York Clearing-House ought, it is said, to have an afternoon clearing, like that of the Clearing-House at London. At present the banks clear only in the morning, and the great mass of to-day's checks are not paid till to-morrow morning. Hence the banks are obliged to trust each other for 24 or 48 hours, and they give an amount of credit and assume a consequent risk which is quite needless, as is proved by the fact that it is avoided in the London Clearing-House, where the transactions are as numerous and larger than our own. How far this suggestion is feasible we cannot positively say. The banks of any Clearing-House are of necessity the custodians of one another's credit. But if it is possible for them to diminish the risks of the Association, the case before us suggests that they ought to do it. If these or any of the other reforms that have been discussed should be achieved as the result of the late disaster to the Bank of the State of New York, that institution, in its adversity, will have conferred greater benefits than in its prosperity, on the banking system in which it has had for many years an honorable place.

---

### WHO PROFITS BY STOCK GAMBLING?

Never, probably, has there been a period in the history of Wall Street when so much effort was made to allure the outside public into the snares and pitfalls of stock gambling. There is a certain class of brokers who are to the regular profession what the shysters of the police courts are to the legitimate members of the bar. Scarcely a week passes in which we do not receive from some of our correspondents inquiries as to the standing of Messrs. Gouge, Fizzle, Bluster & Co., or of some of the other mushroom brokers of this sort. Bank cashiers, merchants' clerks, confidential servants, junior partners in reputable firms, seem to be eagerly sought out all over the country by these quick-scented firms who spend large sums every week in circulars which they sow broadcast as baits for the unwary. Ascending from these dregs of the Wall Street population to the higher and more reputable firms, we find even amongst this class various degrees of trustworthiness and honor. There are too many brokers in Wall Street for the legitimate business which comes there, and it is no wonder that the weaker brethren, goaded by their haste to get rich, and by the necessity of paying their heavy expenses, should be tempted into some seductive by-road leading to danger and perhaps to ruin. Considering the temptations to which our Wall Street firms are exposed, there is probably no class of men who surpass them in conventional integrity, and in forbearance toward misfortune. Taking them all together, they will compare favorably with the

men prominent in any other Bourse in the world. But although this is true on the whole, we must admit that there are too many exceptions, and that the pressure of the times tends to make these exceptions more numerous every year. Ten years used to be the average life-time ascribed by the brokers to speculators who brought their money into Wall Street. Since the war and the violent disruption of values under our paper money system, very few men hold out ten months, and most of the outsiders who enter the street with money, not only lose every dollar they possess, but sacrifice their reputation and oftentimes their health besides. No one conversant with Wall Street can deny that in the long run, and with rare exceptions, all those who operate in stocks lose money by the process. They are like fish in the sea, the big ones gobble up the lesser ones and are themselves gobbled up in turn.

There are two reasons that ought to prevent men from gambling in stocks. First, it is impossible to gain, except at somebody's loss. Hence, only a few persons gain, while the great majority lose at every few movement of the gambling machinery. Experience shows that the greatest adepts get ruined at last, and what chance can an outsider have in stemming the torrent by which the strongest swimmers are sure, eventually, to be carried away and lost? It will not do to say that we hear now and then of gains being won in Wall Street. The same is true of other forms of gambling, and for the same reason. In both cases we hear of the gains, but we do not hear of the losses. The losses vastly outnumber the gains, but the man who is hit is mute. Like the wounded Indian, he hides himself and perishes, but makes no sign.

Secondly, there is another reason, which ought to be conclusive against stock gambling. A man can not take a chance in the lottery without paying more for it than it is worth. We are addressing, of course, the outside public. Our merchants, bankers, manufacturers, clerks, our men and women who have in their hands money of their own which they can honestly employ as they like, these are the persons who we say should not allow themselves to speculate. To trustees, bank officers, confidential agents and others who can not speculate except with the money of others, we have no word to say here, except this, that it is scarcely worse to commit actual suicide than by violating one's trust to perpetrate moral suicide. The time has been, and will be again, in which this would be the test and the proof of fiduciary honor in this country. Passing to those persons who have money of their own to use in speculation, we say that they cannot get a chance in the great lottery without paying for it far more than it is worth. It is about as wise to speculate with the chances as much against one as they are in Wall Street, as it would be to buy tickets in a lottery in which there were not only more blanks than in fair proportion to the prizes, but in which, unless in a few rare and exceptional cases, there are no prizes at all, or at least none which can be

relied upon and effectually realized. This point is well illustrated in a book just issued by Mr. Crump, the financial editor of the *London Times*. He says:

"Stock Exchange speculation is very deceitful to the eye, and also to the ear. In some respects its associations are like those of a morass, under whose smooth and inviting surface are hidden the remains of unwary travelers. Those who are new to the business see only the glittering surface, and hear only of the fortunes made by stock-brokers. People seldom tell of their losses.

"Individuals who are tempted, not only by curiosity, but by a love of excitement, and, more than all, in this case by the love of gain, go into the markets and lose their money, and quit the place with much the same feeling as the man who paid a penny to see a horse with his tail where his head ought to be.

"The question which a sensible speculator will ask himself before he begins to operate is, What are the risks incurred of losing his all at one stroke? De Morgan in his book on probabilities, says in Chapter V., on the risks of loss or gain: 'A man should not hazard his all on any terms; but in ventures the loss of one of which would not be felt, we may suppose the venturer able to make a large number of the same kind; in which case the common notions of mankind, reinforced by the results of theory, tell us that the sum risked must be only such a proportion of the possible gain as the mathematical probability of gaining it is of unity. For instance: Suppose I am to receive a shilling if a die, yet to be thrown, give an ace; in the long run, an ace will occur one time out of six, or I shall lose five times for every time which I gain. I must, therefore, make one gain compensate the outlay of six ventures, or one-sixth of a shilling is what I may give for the prospect, one time with another. But one-sixth is the probability of throwing the ace. *Principle*—Multiply the sum to be gained by the fraction which expresses the chance of gaining it, and the result is the greatest sum which should be given for the chance.' 'A man should not hazard his all on any terms.' Does a man who enters upon a career of speculation take the trouble to consider at starting whether or not his first operation places him in a position in which he hazards his all? There is not probably one speculator in a hundred who ever thinks of it at all.

"A game of die-throwing for money, conducted by one of two players upon principles based upon the doctrine of probabilities, and upon conditions to give him a certain profit, can only be continued for a short time, as the absurdity of it becomes speedily evident to the other player, and play ends. Those with whom outside speculators deal in the Stock markets get all the profit also in the long run, much upon the same system that professional bettors on horse-racing always win in the long run by backing the field. In the die-throwing gambling there is no mystery, at least very little for the ordinary understanding. A person of average intelligence, who is quite unable to comprehend that it

is a mathematical certainty that a die will show the ace upwards, in the long run, one time in six, can be got by simple observations to see that in a great number of throws the ace will have appeared about as often as once in six throws. The fact of his losing his money through betting that it would not be so, would in any case bring the truth home to him. The case, however, of speculation in the Stock markets is very different. Although so large a proportion of speculators speedily lose their money, a large proportion of them also, when quitting the arena through want of capital to go on with, seem to entertain a strong conviction that money is to be made at it. There is very frequently an impression left that if this and that, and the other, had been done instead of what was done, the result would have been otherwise. They regret that their purse was not longer, that they might try again, feeling sure that with such a rich experience they would avoid the mistakes that had landed them losers. The Stock Exchange speculator has an innumerable number of influences arrayed against him, at least one half of which he never sees at all until, like the sunken snag, which sinks the steamer without any warning, one or other of them wrecks his fortunes before he is aware of his danger.

"A speculative operator has a very dangerous basis upon which to lay the foundations of the argument by which he endeavors to justify himself, and it is this. He says to himself: 'There are only two ways for a price to move—up and down.' At first sight the chances seem to be as much in his favor as against, and he thinks the failure of others to make a profit must have been the result of mistakes made by them, which he will avoid. But does it occur to such a one that, if there were any easy and certain method of making money by speculating in stocks, everybody who had a little capital would at once commence to speculate. Speculation in the Stock markets has almost irresistible attractions as a mere amusement, quite apart from its being a kind of occupation which is the most luxurious and exciting mode of making money. It must be evident, therefore, from the comparatively few persons who habitually speculate, that large numbers are simply driven away from the markets through a conviction that such a vocation must end in disaster.

"At the first beginning of prosperity with a comparatively poor community, gambling springs up in these times in stocks and shares. As a result of such operations, Vienna went half mad in the first half of 1873, which was followed shortly after by a financial crash and the suicides of several bankers at Posen. Older communities, which have passed through the only crucible which in this life teaches people that if money is to be made rapidly the process must be attended with a proportionately large risk, are observed, as time goes on, to be less exposed to the headlong financial panics such as that in which the speculation at Vienna lately culminated. Commercial revulsions of one sort or another, and of greater or less violence, will probably occur during all

time at intervals, wherever commerce is carried on; but the gradual fashioning of laws with the view to confine the injurious effects of over-speculation and over-trading within limited areas, as for instance the limited liability acts, will more and more render it possible to stand between the dupe and the financial sharper, and also to observe the gathering together for harm of the dangerous influences, so that they may be provided against in time, or checked at an early stage of the disease. Among the operators at younger commercial centers there is a more feverish desire to gain, but the effort to satisfy it are not kept in check in the same degree as in places where memories of disaster cluster in traditions among the people, and inspire the growth of prudence, almost as if it were an instinct.

"Very few persons, if any, will be found to dispute the statement that speculation on the Stock Exchange is gambling. The highest mathematical authorities maintain that there are but two conditions under which gambling can be prudently followed as an amusement, viz., small stakes, and equal play. The ordinary gambler in the Stock markets is no better off, as regards his chance of winning, than a player against a bank, which can only make certain of winning against all comers in the long run by the protection of a mathematical advantage. In the case of a bank established as a gaming-house, the initial condition of existence has always been in the long run either bankruptcy to itself, or ruin to the individual players. As the banks have always flourished, the players, in the long run, must always have been losers. A gaming-bank is an institution with limited means offering to play all who enter; or, in other words, it is limited means against unlimited means.

"The Stock Exchange occupies a parallel position to that of the bank, and the operators in the markets are protected in such a way that the outside player at speculation must in the long run lose, or no one would be found to take up his challenge. It must be obvious that, supposing an outside speculator had any advantage when speculation in stocks and shares were first practiced, and through such an inequality of terms he was on the average the gainer, experience would soon show the necessity of rectifying such a state of things, and what would be tantamount to the mathematical advantage secured to the gaming-bank would be speedily arrayed against him.

"What is the one event constituting the benefit for which the speculator operates? it will be asked. The answer is, the greatest fluctuation in the direction favorable to him which may be caused by any one of the many influences that may spring into action at any time. This is part of the mystery which allures people on. If you tell persons who are throwing a die that the six will turn up once in six times in the long run, they can form some estimate of their chance of winning. But until a Stock Exchange speculator has been roughly undeceived, his understanding gets entangled, so that what he sees clearly only at first, is what is in his

favor, because his first interest is to discover that. What is against him he disregards until he discovers it has undermined him, and all goes together.

"In cases where the public play against a bank, it is so managed that the bank has a better chance than the players. It is so managed that a considerable succession of losses can be sustained against the good luck of any comer. One side always secures to itself the benefits of the long run. The haphazard speculator stands at the same disadvantage as the player against the bank. His position is always relatively inferior. When the balance is nothing, as worked out by the foregoing rule as stated by De Morgan, then the play is equal:—'Multiply each gain or loss by the probability of the event on which it depends; compare the total result of the gains with that of the losses: the balance is the average required, and is known by the name of the mathematical expectation.'

"It must stand to reason that an outside speculator plays upon unequal terms, otherwise it could not be worth the while of the other side to engage him. As well might we expect a man to set up a shop and sell his goods at a loss. Then we come a step farther, and ask if it be any use for a Stock Exchange speculator to operate if the terms be equal? If such numbers of persons find themselves induced, by the estimate they are enabled to form of the chances in their favor, to play on terms more favorable to their antagonists than to themselves, their prospects would seem to be much improved if the terms were made equal. Although the position of the speculator be improved to the extent of the terms being equal, it is absolutely indispensable that the operations be kept open for a considerable time, in order to secure the mathematical expectation, which can have no existence except through continuity. With the play in favor of the gambler, he stands no chance even of holding his own, unless he makes sure of being able to continue over such a number of trials, or during such a period of time, as will give him the benefit of an average of the ups as well as the downs of fortune.

"As at cards so at Stock Exchange speculation, there must be two kinds of luck, ill luck and good luck, as the changes of fortune which are worth while taking account of. A man speculates, gets his turn of good luck and pockets his gain, treating the money as if it were ore from a mine, or something added to the realized wealth of the world, a pure plus as compared with a plus leaving a minus. For every profit made by a speculator, and for every realized profit made by a *bona fide* investor, there must be a corresponding loss."

The failure of Mr. Daniel Drew is a suggestive illustration of several of the principles which have just been laid down. With varying success, that subtle and well-known speculator grew gradually richer for more than a quarter of a century. With amazing pertinacity he pursued his career of gains and losses in Wall Street, until at one time he was worth at least five millions,



and was credited by common rumor for years with almost double that sum. He announced several times during his declining years his intention to retire from speculative business, but like other gamblers he played with danger till it ruined him. The excitements and the hazards which had been habitual for so many years, overcame his better resolutions. He did not, a few months ago, give up the game of speculation, until compelled to do so by sheer inability to carry it on any longer. Mr. Drew has often been cited as an illustration, a shining example of what a man can do in Wall Street, and his influence is believed, directly or indirectly, to have led astray multitudes of reputable men, not a few of them members of Christian churches, to embark in a career of stock gambling. Now, that a disaster so complete and irretrievable has overtaken him, it is hoped that his example, which has been so conspicuous, so alluring and so mischievous in attracting adventurers, and drawing them into the toils of Wall Street speculation, will tend to repel and discourage them. Twelve millions of dollars a year is the estimated cost of carrying on the machinery of speculation in Wall Street. This sum is shared among several classes of persons. First, there are the brokers and their clerks, who number several thousand persons. A large share of the money brought into Wall Street by outside speculators, goes to pay the brokers' commissions. Secondly, there are the habitual speculators, who also take their share. These men belong to that class of which Daniel Drew was a recognized leader so many years. This numerous class is like a brigade on a desperate service. Its ranks are thinned by frequent casualties, and especially by the heavy losses of those grand occasional field-days, when some panic in stocks or gold spreads destruction and ruin far and wide. But, great as are the losses in this brigade of militant speculators, its ranks are continually filled by new recruits from a third class, who are technically known as "outsiders," or the "outside public." From these outsiders a large part is derived of the annual tax of twelve millions on which Wall Street lives. Indeed, in the long run, the outsiders have to find most of the money which is necessary for the sustentation of the great speculative and gambling machinery, and which is therefore levied every year upon the speculators and votaries of stock gambling throughout the country. On the whole, therefore, it is easy to see who loses by speculation, and if our readers wish an answer to the question, "Who gains" by it? they may see a suggestive reply in the career of Daniel Drew, and of the thousands of unknown men who, like him, and led by such examples as his, have sought to grow rich by gambling in stocks. The fact is, as we said above, that "the little fish are the prey of the big ones, and these are preyed upon in turn, so that, in the long run, there are very few who finally escape." Hence, it has become a maxim in Wall Street, that if any man speculates, whether he is a broker or an outsider, he is sure to quit Wall Street either penniless or with less money

than he brought into it. A reputable old broker, the head of a firm well known in Wall Street, being asked his opinion on this subject, on a recent occasion, said, with much emphasis, that, in the course of twenty-seven years' experience as a banker and broker, he had known but a single exception to this universal rule.

### EMIGRATION AND PUBLIC WEALTH.

We are so accustomed to look upon immigration as a means of increasing our national wealth, that we are apt to forget that this scientific conception of the economic value of the importation of labor is quite modern. Just before the gold discoveries of 1848, the tide of emigration from various parts of Europe received a new impulse, which has only of late begun to relax its force. It is interesting to look back over the last fifty years, and to see how the immigration which, in 1826, brought no more than 10,837 persons from Europe to settle in this country, increased in 1836 to 76,242; in 1846 to 154,416; in 1856 to 200,436; and in 1870 to 379,786. Since the panic of 1873 this country has not offered so many inducements to unskilled emigrants without capital, and great multitudes have returned to Europe disappointed. In Germany and in England, as is well known, this return movement has been fostered, and a disposition has been shown to check the departure of emigrants. In illustration of the effect of these and other causes hostile to our immigration movement, the subjoined table shows the arrivals of immigrants at the port of New York from 1866 to 1875:

<i>Years.</i>	<i>From Great Britain.</i>	<i>From Germany.</i>	<i>From other Countries.</i>	<i>Total Emigration.</i>	<i>Other Passengers.</i>	<i>Grand Total.</i>
1866.....	109,752 ..	106,716 ..	16,950 ..	233,418 ..	60,939 ..	294,357
1867.....	105,303 ..	117,591 ..	19,837 ..	242,731 ..	58,595 ..	301,326
1868.....	85,355 ..	101,989 ..	26,342 ..	213,686 ..	58,735 ..	272,421
1869.....	119,048 ..	99,605 ..	40,336 ..	258,989 ..	48,465 ..	307,454
1870.....	114,784 ..	72,350 ..	25,036 ..	212,170 ..	43,316 ..	255,486
1871.....	112,625 ..	88,601 ..	28,413 ..	229,639 ..	41,428 ..	271,067
1872.....	114,704 ..	132,705 ..	47,172 ..	294,581 ..	44,871 ..	339,452
1873.....	110,814 ..	111,073 ..	44,931 ..	266,818 ..	50,138 ..	316,956
1874.....	62,908 ..	45,623 ..	31,510 ..	140,041 ..	49,759 ..	189,800
1875 .....	34,836 ..	30,529 ..	19,195 ..	84,560 ..	50,485 ..	135,045
1866-1875	970,129 ..	906,782 ..	299,722 ..	2,176,633 ..	507,731 ..	2,683,364

The foregoing figures show how severely the checks referred to above have operated. They partly confirm the theory which is gaining ground in some quarters, that the great wave of emigration from the Old World has almost spent its force, and that its amplitude, which for half a century has been increasing, will continue to dwindle until it has almost ceased. We do not adopt this gloomy view of the future. The tide of emigration is only at its ebb, and it will probably rise again to its former level, if not higher. To show the details of the immigration of last year we give the following statistics:

## ARRIVAL OF ALIEN PASSENGERS AT THE PORT OF NEW YORK.

Nations of	1866.	1867.	1868.	1869.	1870.	1871.	1872.	1873.	1874.	1875.	1866 to 1875.
Australia.....	12	44	26	12	9	22	25	12	39	7	208
Africa.....	15	2	10	17	11	8	23	10	17	4	117
Belgium.....	156	1,623	149	140	93	168	426	648	325	204	3,936
Canada.....	28	42	31	27	34	68	48	71	13	144	658
China.....	17	17	49	15	20	240	67	69	84	67	660
Central America.....	20	21	21	38	24	35	25	26	..	28	216
Denmark.....	1,526	1,372	1,087	2,600	2,441	2,210	3,234	3,759	3,167	1,757	23,153
East India.....	15	4	3	25	13	6	11	19	43	26	215
England.....	36,186	33,712	29,695	41,093	38,340	36,965	36,299	33,189	19,170	10,835	315,481
France.....	3,216	3,204	2,811	2,795	2,210	4,245	10,093	6,102	3,316	2,376	40,398
Greece.....	5	8	10	7	14	7	59	14	37	15	166
Germany.....	106,716	117,591	101,989	99,695	72,359	88,601	132,795	111,073	45,623	30,579	966,782
Holland.....	1,566	2,156	1,265	1,217	525	929	2,154	4,287	1,335	794	16,198
Holland.....	63,047	65,134	47,571	66,234	65,168	65,506	68,747	68,612	37,447	20,124	572,560
Italy.....	99	1,032	996	1,548	2,081	2,309	6,435	6,847	5,034	2,577	29,978
Japan.....	7	87	3	4	1	14	11	11	20	1	148
Luxembourg.....	..	..	..	..	..	..	..	..	329	147	993
Mexico.....	56	28	34	90	37	20	32	53	27	10	495
Norway.....	583	300	1,028	3,415	2,678	2,718	5,079	6,417	3,447	2,602	28,266
Nova Scotia.....	40	22	53	119	23	53	45	14	68	13	449
New Brunswick.....	22	268	268	598	577	763	2,833	2,406	13	28	41
Poland.....	22	79	13	60	5	48	110	..	..	..	7,914
Portugal.....	96	13	145	376	433	713	1,217	1,817	7,565	21	467
Russia.....	184	125	145	376	433	713	1,217	1,817	7,565	21	467
Switzerland.....	3,655	3,985	3,302	2,999	1,225	2,630	3,390	2,979	2,296	1,439	15,728
Sweden.....	4,979	6,315	7,390	10,613	10,731	10,154	10,914	8,392	4,739	3,070	28,870
Sweden.....	3,997	4,843	14,520	23,453	11,551	10,749	10,978	8,990	3,743	3,303	75,497
Spain.....	315	203	211	210	156	130	179	221	249	191	95,137
South America.....	155	97	133	102	34	85	29	119	174	102	2,005
Turkey.....	8	6	22	5	1	20	11	24	28	19	1,090
Wales.....	540	142	699	1,111	545	..	644	621	1,226	849	6,377
West Indies.....	246	214	171	378	140	215	194	345	307	146	2,356
Total.....	233,418	242,731	213,686	238,959	212,170	226,639	294,581	266,818	149,041	84,560	2,176,633

This table shows how numerous are the sources from which proceeds the vast current of immigration which has so long been pouring itself into this country. During the last fifty-six years more than nine millions of emigrants from all the countries of Europe have been brought into our social community. This vast influx of a heterogeneous population has been gathered from many different nations, and from all the different classes of society, especially the lowest. Not only the skilled laborers of Europe, but multitudes also of criminals and of paupers have come to this country. The great stream of emigration has brought to us both the good and the bad. They have been welcomed into our community, and we have had to do the best we could for them all. England, as we shall presently see, was accustomed forty years ago to send back to Ireland able-bodied paupers who wished to improve their condition by emigrating to the richer island, with its opportunities and its rewards of labor. An elaborate theory was devised by our British cousins for repelling these Irish immigrants from her fields and workhouses, while in this country, with a wiser economic foresight, we were inviting and welcoming them. This theory owed its development to the well-known economist Mr. Malthus, whose name and reputation stood higher a few years ago than to-day, when the abstruse and important questions he spent so much of his life in elucidating are more perfectly understood. But for the theory of Malthus and its influence in shaping the policy of the British and other governments in favor of emigration, we should have probably lacked the very powerful agency in our National development which European emigration has supplied. To us in the present age it seems almost inexplicable that so narrow and one-sided a theory should ever have acquired so much influence, or should have held it so long.

The theory of Malthus is, that the power of increase of the human species is indefinite, or incapable of exhaustion; and if this power were exercised to the utmost, without any check from external circumstances or from self-control, the earth would soon become unable to afford subsistence, or even to give standing room, to the men who would claim a place upon it. The capacity of increase necessarily acts in a geometrical progression; for if a people, under certain circumstances, increase within thirty years from ten thousand to twenty thousand, a mere continuance of the same causes and the same circumstances would enlarge the number within the next thirty years to forty thousand; and the third period would carry it to eighty thousand. For example, a given rate of increase, in the ten years from 1790 to 1800, added but 1,200,000 to the white population of this country; but from 1830 to 1840 the same rate of increase added 3,600,000. The population was more than doubled from 1820 to 1850. But the former doubling added over ten millions; and the next doubling, in 1880, will add twenty millions. This law of possible increase in a geometrical progression belongs to every species, both of the animal and vegetable kingdom, of which we have any

knowledge; it is an immediate and logical inference from the self-evident fact that every pair, whether of the earliest or latest generation, whether forming part of a very small or a very numerous community, is equally capable of continuing and multiplying its kind. Its prolific power is not at all affected by the greater or smaller number of its fellow-creatures which may be already in existence. If population should go on in this manner without check, it is evident that, within a few centuries, the earth might literally be overstocked with human beings; if they should stand, shoulder to shoulder, as thickly as the stalks of wheat in a cultivated field at harvest time, there would still be a call for room; for the next thirty years would inevitably double even this immense assemblage. Malthus also showed that this law of increase by geometrical progression holds good, whether the annual rate of increase be fast or slow. To illustrate this we may cite again the United States, where the annual rate, exclusive of the effects of immigration, is 2.39 per cent., and, as a consequence, the population is doubled in about 32 years. In France, the annual rate is but 0.6, and the population, therefore, is not doubled in less than 115 years. Still it will be doubled in that time; and therefore in 230 years it will be quadrupled; thus following the law of increase by geometrical progression, if it increase at all. The theory of Malthus may be said to owe its plausibility, in the first place, to the fact with which all arithmeticians are familiar, that a number, increasing by geometrical progression, within a few terms rises to a very formidable amount.

Secondly, Mr. Malthus undertakes to show that the means of subsistence, under the most favorable circumstances, cannot increase so rapidly as the number of mouths calling for food. The race of population against food, he maintains, is like that of Achilles against a tortoise; it is too unequal, whatever may be the advantage at first possessed by the weaker party. Whatever may be the present superfluity of subsistence, or the means of increasing sustenance, population multiplies so fast that it must soon overtake and surpass the supply of nourishment. Looking at first only to Great Britain, he says: "If it be allowed that, by the best possible policy and great encouragements to agriculture, the average produce of the island could be doubled in the first twenty-five years, it is impossible to suppose that the produce could be quadrupled. It would be contrary to all our knowledge of the properties of the land. The improvement of the barren parts would be a work of time and labor; and it must be evident to those who have the slightest acquaintance with farming and agricultural progress, that in proportion as cultivation extended, the additions that could yearly be made to the former average produce must be gradually and regularly diminishing.

Such are the two fundamental principles of the Malthusian doctrine. First, population, he says, has a tendency to grow and multiply in a geometrical ratio; secondly, the capacity of any country for feeding its inhabitants does not grow so fast; and

therefore, sooner or later, the population must surpass the means of subsistence, and there will be more mouths to feed than there will be any possibility of keeping supplied. It is not singular that such a theory as this should have occurred to a divine, whose Biblical studies must have led him frequently to ponder the problem of the rapid growth of the human race during the twenty-six centuries covered by the Mosaic history. Mr. Malthus was a clergyman, and his theory was a very good one for the exposition of difficulties in Bible chronology; but, while it solves such problems, it is wholly useless in the domain of economic science. It throws no light whatever upon the probable growth of the population in any given country during the present or future ages of the world. So obvious is this fact, that we need spend no time in proving it to our readers. What is remarkable is, that this vague theory should have been so popular in England, and should have sprung up there and obtained its greatest political power at the very time when it could be of service to the United States, by stimulating emigration and inclining the British Government to favor the expatriation of millions of its people. Had not the British Government adopted a policy founded upon the theory of Malthus, and had not the Continental nations followed the example set them by England, emigration would have been discouraged all over Europe, instead of being favored and aided as it was in most of the European countries until four or five years ago. It has been urged that the recent policy of checking and discouraging emigration in Europe is not strictly a new one, but it is rather a revival of the ancient policy which prevailed so generally until the close of the eighteenth century. To show that we have not ascribed too much influence to the Malthusian theories, we give the following extract from the lectures which one of the most judicious expounders of Malthus, Dr. Chalmers, delivered in the University of Edinburgh on Political Economy:—

“Population, when permitted its full development, by an unbounded supply of the means of subsistence, can double itself in fifteen years; and we proceed on a computation greatly more moderate than this, when we affirm that for an emigration, sufficient to allow an unchecked multiplication of our species in the British islands, there behooved to be at least half a million of human beings transported annually from our shores. The expense of so mighty a transportation, and the magnitude of that flotilla which would need to be upheld for the business of these annual shipments, are of themselves sufficiently startling, and might well disabuse us of the idea that any very effectual relief can be ministered by this expedient for the wants of our population. But we may properly add the ever-increasing difficulty of new settlements abroad, after that the most accessible and best portions of territory had been occupied. It is no great recommendation of a scheme that the longer it is prosecuted it is always becoming more impracticable, insomuch that every successive year must wit-

ness another augmentation both to the cost and the labor of it. Neither can we admire, as a sound or lasting expedient for keeping right the overflowing population of one country, a process that hastens onward every other country to the same consummation. We should greatly prefer an expedient that would equally apply to all countries, and that would not lose its efficacy even though the globe should throughout be peopled up to its capabilities, and the millennial era had arrived at which we beheld a general fullness and prosperity in all lands. But the near, the practical consideration is that the relief afforded by all the emigration which even the most sanguine of its advocates can count upon, is but an insignificant fraction of what a population, left to its own unchecked spontaneity, would need, and every future year this relief would become more insignificant.

"Whenever emigration prevails it is the evidence of a country where the population presses on the means of subsistence, from which pressure it seeks to be relieved by successive discharges. We believe that a regular system of emigration would certainly bring on and perpetuate such a state; and surely far more desirable than that a people should thus press on the limit of their own home resources, were it that they kept comfortably and somewhat largely within the limit. The effect of emigration has been compared to that of a safety-valve. But a safety-valve in the boiler implies a great force of distension within; and surely it were better for every land that the distension were prevented than that it were only relieved, and kept down to a certain maximum which cannot be sustained without a strongly felt violence and discomfort within the borders of the territory. The alternative may be stated within a short compass. It were better that the population should not be carried up to the extreme of what the country can bear by the recklessness of the people, than that it should be kept down to that point by emigration. We may be sure that every country is throughout in a suffering condition, which requires to be disgorge from year to year of its redundant families. There may be a few spirits alive to the charms and the romance of adventure, to whom emigration would prove a lure rather than a terror. But, averagely speaking, there must be a great experience of distress and destitution to account for the voluntary exile of thousands from the land of their forefathers. It must be no light evil from which they are making their escape, when, in the act of doing so, they forego all the recollections of their boyhood, the scene and the dwelling-place of their dearest intimacies. Now, in respect of the economic condition of a people, it may be said with peculiar justness, that if one member suffer, all the members suffer along with it. The destitution which forces a certain number, though it should be a proportionately small one, from the land of their nativity, is the symptom of a general destitution and distress through the country at large, or at least in the profession to which they belong. And rather, infinitely rather than a system of things which encourages a population up

to the necessity of emigrating, would we prefer that, in virtue of smaller numbers, the population fell somewhat beneath the employment which remunerates, or the food that sustains them. It is indeed demonstrable that where a sure and systematic and withal a permanent and generally known provision is made for the excess of laborers in a land, this, of itself, must depress the condition and circumstances of the whole body. This it does through the intervention of the principle of population, by which it sustains in perpetual being the very overplus which it is its object to dispose of. For mark the effect on general wages of the mere existence of such an overplus. We believe that nowhere can the provision in question be so comfortable as would be a situation of well paid industry in any of the regular trades or employments. Ere the former, then, will be sought after, there must be an excessive, and so a disappointed or defeated competition for the latter; a competition which, though proceeding from a very small surplus of laborers, must, by an infallible law, effect a very great reduction in the price of labor."

We have quoted enough to show that Dr. Chalmers, with other advanced Malthusians of his day, were preparing a reaction against their own theory. They doubted the policy of encouraging emigration as a means of increasing the wealth of any country, but they did not see as clearly as later economists, that the theory of Malthus is false, because it contains a partial and one-sided view of the subject. Malthus argued as a mathematician who leaves out several important factors, and therefore falsifies his problems so as to arrive at absurd conclusions. He is like a tradesman who, in estimating the productive capacity of a mill, puts down all the expenses with minutest accuracy, but leaves out the chief part of the gross earnings. Every smatterer in political economy knows that production goes hand in hand with population, and that if the one increases the other increases too. Modern commerce has made all nations as one. If England lacks food, the granaries of the whole world begin to pour their inexhaustible supplies into her ships, from the Nile to the Baltic, and from the Mississippi to the Atlantic seaboard. Such a contingency as the dearth of food in any modern country, in these days of universal railroads, steamships and telegraphs, is out of the question; whatever other dangers threaten the stability of modern progress and National growth, the danger dreaded by Malthus has been rendered impossible.

There is, however, one suggestion of Dr. Chalmers which merits special notice. He refers to the lack of morality and self-control among the classes whose emigration in his day such efforts were made to facilitate. During the past fifty years the poor, the ignorant, the dissipated, the reckless and the criminal population that have come here from Europe, have no doubt behaved themselves in this free country much better than might have been expected. Still, grave alarm has been awakened in the minds of our thoughtful citizens at the rapid growth of the criminal element in our



population. Hitherto in this country we have never had what are familiarly known in Europe as the "dangerous classes of the community." Our municipal governments are not armed with the powers and the machinery necessary to cope with these dangerous classes, when they are concentrated and organized, as they seem likely to be before long in our large cities. To the immense economic benefits which have accrued to the country from emigration, the evil we are discussing offers a conspicuous compensation.

The Union League Club of New York have just published statistics showing the number of arrests in New York for the fifteen years and four months ending December 31st, 1875. The following is the statement:

<i>Year.</i>	<i>United States.</i>	<i>Ireland.</i>	<i>Germany.</i>	<i>All others.</i>	<i>Total.</i>
1860.....	13,985 ..	38,576 ..	5,720 ..	7,528 ..	65,809
1861.....	18,379 ..	39,606 ..	7,287 ..	5,860 ..	71,130
1862.....	21,868 ..	45,409 ..	8,631 ..	6,164 ..	82,072
1863.....	18,199 ..	33,317 ..	5,284 ..	4,688 ..	61,888
1864.....	16,167 ..	28,808 ..	5,846 ..	3,930 ..	54,751
1865.....	23,036 ..	32,867 ..	7,162 ..	5,808 ..	68,873
1866.....	25,393 ..	35,375 ..	8,914 ..	5,948 ..	75,630
1867.....	27,156 ..	38,128 ..	9,460 ..	5,788 ..	80,532
1868.....	27,326 ..	37,014 ..	8,281 ..	5,830 ..	78,451
1869.....	26,142 ..	34,226 ..	7,099 ..	5,517 ..	72,984
1870*.....	10,126 ..	12,902 ..	2,364 ..	1,826 ..	*27,218
1871.....	25,900 ..	35,561 ..	8,452 ..	5,779 ..	75,692
1872.....	30,916 ..	38,009 ..	9,597 ..	5,992 ..	84,511
1873.....	31,673 ..	42,432 ..	7,025 ..	7,458 ..	88,588
1874.....	32,973 ..	41,746 ..	9,886 ..	7,507 ..	92,112
1875.....	37,917 ..	37,121 ..	8,651 ..	7,311 ..	91,000
	<u>387,154</u> ..	<u>571,497</u> ..	<u>119,659</u> ..	<u>92,934</u> ..	<u>1,171,244</u>

This reduced to a ratio, based on the United States census of 1870, shows that in the city of New York, for the above period of fifteen and one-third years, every one hundred native-born citizens produced seventy-four arrests; every one hundred Irish-born inhabitants, two hundred and forty-three arrests; every one hundred German-born inhabitants, seventy-nine arrests; and every one hundred inhabitants of all other races, ninety-four arrests. In this city for that period, the comparative ratio of criminality of the races, taking the native-born as the unit, is as follows: American, 1.00; Irish, 3.28; German, 1.07; all others, 1.27. These statements are confirmed by a letter written December 21, 1875, by an official of very long experience in connection with criminal matters in the city of New York. He says: "Of the number born in the United States, a large per cent., in my opinion from one-half to three-fourths, consist of persons born in the United States of Irish parents. It is noticeable that high crimes, and especially crimes accompanied with violence to the person, are traceable to this class. The young ruffians, who in gangs infest the streets and render travel by night neither pleasant nor safe, are chiefly of this class. American-born criminals with Irish names are very common; American-born criminals with German names are rare. Further

\* Four months

confirmation is obtained from the following statistics, showing the nativity and the number of paupers cared for by the Department of Charities and Correction during five years ending with 1875:

<i>Year.</i>	<i>United States.</i>	<i>Ireland.</i>	<i>Germany.</i>	<i>All others.</i>	<i>Total.</i>
1871.....	10,876	16,829	3,271	2,629	33,605
1872.....	12,174	19,291	5,201	3,588	40,234
1873.....	12,674	20,539	4,568	3,606	41,387
1874.....	13,999	20,696	5,291	3,851	43,857
1875.....	13,455	21,452	5,942	3,887	44,736
	63,178	98,787	24,273	17,561	203,799

This table reduced to a ratio based on the United States census of 1870, shows that in the city of New York, for the above period of five years, of every one hundred native-born citizens, twelve have, for some part of the time, been public paupers; of every one hundred Irish-born inhabitants, forty-two were, for some part of the time, public paupers; of every one hundred German-born inhabitants, sixteen have, for some part of the time, been public paupers; and of every one hundred inhabitants of all other races, eighteen have, for some part of the time, been public paupers. In the city of New York the comparative ratio of pauperism of the races, taking the native-born as the unit, is as follows: American, 1.00; Irish, 3.50; German, 1.33; all others, 1.50. Many other facts might be adduced to illustrate the nature and the extent of the burdens inflicted upon the country by the immigrant elements in our population. We have cited them, however, for a different purpose. It was our wish to indicate a change which is slowly becoming visible in the currents of public opinion in this country on emigration. Experience is convincing our people that immigration, like so many other movements in this country, has gone too far, and that the recent arrest of its progress is a wholesome one for this country, whatever it may be for the foreign governments which have put those checks in force. When the current of immigration begins to overcome existing obstacles, and to resume its former activity and amplitude, we are inclined to think that it will bring with it a superior class of persons, possessed of more skill and capital, endued with habits of industry and self-control, and capable of becoming good citizens and efficient contributors to our National wealth. If anything can be done, by legislation or otherwise, so to control the movement as to augment the good elements which the emigration of the future will pour into our population, we trust that the thoughtful investigators of this subject will be able to point out the needful reforms, and to give effective aid in securing their adoption.

## CAN THE EVASION OF STATE TAXES ON PERSONAL PROPERTY BE PREVENTED?

The mischievous effects and the notorious inexpediency of State taxes on floating capital have been often exposed. Still, as such taxes are imposed by law in all the States, it is right that they should be assessed faithfully and collected impartially from all citizens alike. Otherwise we offer a premium to fraud and to illicit practices. Among the well-known devices which have sprung up for evading the State tax on personal property, one of the most common among a certain class of taxable persons, is that they convert their means, as far as possible, into greenbacks or Government bonds. This conversion is made a day or two before the time when the list of taxable property is to be made out. Thus the taxable person is able to exclude part of his property from assessment. For greenbacks and Government bonds are free from State or municipal taxation. It is not often that the State assessors can reach frauds of this kind so as effectually to deal with them. In the Supreme Court of the United States an important case, that of *Mitchell v. The Tax Commissioners of Leavenworth Co.*, has just been decided. The plaintiff was a taxable citizen of the State of Kansas, and kept an account with a banking firm in Leavenworth. Before the making out of the annual tax list, Mitchell drew his check for the whole balance which the bank owed him, amounting to \$19,350. This sum, 28th February, 1870, was paid to him at the bank counter in greenbacks. He immediately inclosed the greenbacks in a sealed package and placed it for safe keeping in the vaults of the bank. Three days afterward he withdrew his package and deposited the notes to his credit, his sole purpose being to escape taxation upon his money on deposit. That this evasion of taxation was the motive of the plaintiff was proved by the fact that the day after the conversion of the bank balance into greenbacks he had to make out his list of taxable property, which in Kansas is done on March 1st every year. Mitchell omitted from his list the money he had in the bank, so that the evidence was conclusive. His scheme of tax evasion was frustrated. The tax assessors added \$9,000 to his valuation on account of his money in bank. Mitchell in vain demanded that the officers should strike off this addition to his assessment. The tax was levied in due form and its collection threatened. Repulsed in all his efforts to elude the tax, the plaintiff filed his bill in equity against the tax commissioners, to restrain the collection of this tax on the ground that, as his bank balance had been converted into United States notes, and was held in that form on the day his property was to be listed, he could not

be taxed on that account. The Supreme Court of Kansas, on appeal, dismissed the bill, for the reason that "a court of justice sitting as a court of equity will not lend its aid for the accomplishment of any such purpose." The Supreme Court of the United States, in its judgment, affirms that "the decision in this case was correct. United States notes are exempt from taxation by or under State or municipal authority, but a court of equity will not knowingly use its extraordinary powers to promote any such scheme as the plaintiff has devised to escape his proportionate share of the burdens of taxation. His remedy, if he has any, is in a court of law." If, then, the question cannot be fully answered, whether this form of tax evasion can be stopped, we may at least be assured that the impediments in the way of its success are augmenting, and it is possible that the banks will be less incommoded hereafter by the desire of their dealers to seal up greenbacks for the purpose of making out fraudulent tax-lists.

---

### THE PRINTING OF OUR PAPER CURRENCY.

It is much to be desired that a more complete report be made to the public of the operation of the bureau of engraving and printing at Washington, the currency appropriations for which have been prematurely expended, so that its work could not go on without a new supply of funds. While this question is before the public it would be well to have a statement prepared for Congress, showing for a series of years the annual expense of printing greenbacks, bank-notes and fractional currency. Such a report of the work done, and the precise expense of doing it, would be useful for various reasons. It would show how much truth there may be in the charge that the printing of our paper money has cost twice as much during the last two years as formerly. In the year 1869 a change was made in the regulations for printing our paper currency. The first issues under Mr. Chase and his immediate successors were printed by the Bank-Note Companies of New York. The only part of the notes printed at Washington was the red seal. In the return relative to the cost of printing, the first point to be desired is the proportional cost of the printing of currency from 1862 to 1869. The second point will be to exhibit the cost year after year since that period. The change in 1869 was made under the Act of 30th of June, 1864, Chap. 172, Sec. 11, which made it a penal offense for any person to have in his possession without authority any of the distinctive paper chosen by the Secretary of the Treasury for notes and bonds of the United States. This act was not put in force until five years after its passage, when it caused the business of printing greenbacks to be taken in part from the Bank-Note Companies and to be carried on at Washington. Thus it happened that the greenbacks of 1869

had their faces printed by the Government Bureau at Washington and their backs by a Bank-Note Company as formerly. The change was announced by the following circular from the Treasury:

WASHINGTON, D. C., July 21, 1869.

Notice is hereby given that the Secretary of the Treasury, by authority of the law, has adopted a distinctive paper, which will be hereafter used, until otherwise ordered, for all obligations and other securities of the United States.

One of its peculiarities is the introduction of colored silk, cotton, or other fibrous material, into the body of the paper while in the process of manufacture.

By the laws of the United States it is made a felony for any person to have or retain in his custody or possession any paper adapted to the making of any such obligations or securities, and similar to that designed by the Secretary of the Treasury, except under authority of the Secretary of the Treasury, or some other proper officer of the United States; and any person offending against the statute will, on conviction thereof, be punished by a fine not exceeding five thousand dollars, or by imprisonment and confinement at hard labor not exceeding fifteen years, or both, in the discretion of the Court.

GEORGE S. BOUTWELL.

Since this circular appeared all United States notes, fractional currency and bonds have been printed on distinctive paper manufactured under the inspection of officers of the Treasury Department, at a mill exclusively employed for that purpose. As a further safeguard against counterfeiting, an expedient has been copied from the Bank of England note. In the body of the paper on which the note is printed a number of fibers of blue and other colors have been introduced, which are easily recognized by experts, but have never, we believe, been successfully imitated by counterfeiters.

A further change was made a short time ago, the propriety, economy and safety of which have been subjected to grave doubts. The trustworthy old Bank-Note Companies, which have so long done the work of printing the backs of the notes, are no longer employed. The work is done by a new concern started in Washington for the purpose, and known as the Columbian Bank-Note Company. This enterprise is said to do no other business but that of printing notes and other Government work. If this be true, a change ought to be made without delay. Even if there be no ground for the other charges made against this new company, such as untrustworthiness and lack of vigilance, of which we have seen no authentic proof, the simple fact that the company has been started for the sole purpose of doing Government work, is enough. If any part of the Government printing requires in these days of corruption and defalcation to be made secure, and to be placed beyond the reach of suspicion, it is the printing of our paper money. If the old safeguards were perfect so long as

the outside work was done by the large companies of this city, why have these safeguards been broken down? The work had better be done either in the Government printing office, or, if the interests of the public require some guarantee against collusion and over-issues, and if for that purpose every note is required to have its back printed outside of the Government office, the old guarantees should be revived and put in force once more, the doubtful new arrangements should be discarded, and the mischiefs they threaten averted. When the statement above referred to is published, it will be found, we are assured, that the present arrangements for currency printing are open to some grave objections besides those we have noted. However this may be, enough has been proved to render proper a change in the Government printing arrangements, in the interests of the public credit, and for the prevention of scandals and abuses. Outside printing, if any is needed in the fabrication of our paper currency, should be placed under the old safeguards, which have been tested and found efficient after many years' experience and thorough trial.

---

### THE STATE BANKS OF NEW YORK.

The condition of the State banks of New York does not attract so much of the public attention at present as during the first four years after the foundation of the National banking system, and the passage of the enabling act under which the majority of our city banks and many of the banks in the interior of the State were reorganized under the Federal law, and became affiliated to the National banking system. Still the annual statements are examined by our banking and financial men with some care, and the report which has just been issued by Superintendent Ellis, covering the year 1875, has some points of special interest. It states that eight new banking associations were formed during the fiscal year, and five were closed, four being converted into National Banks. Although the number of banks has increased, the total capital has diminished; this is one of the effects of stagnation in business. Several banks have reduced their capital, under the law passed by the last Legislature, as their operations were checked by the depression in local business affairs. The majority of the new banks have begun with a small capital, their officers having an understanding of the present monetary condition of the country. While the deposits are almost equal in amount to those of last year, the loans and discounts exceed those of 1874 by about two millions. The fact seems to justify the opinion that the banks feel the demands of extended and more active movement in business. Twenty-two banks have failed to close their circulation account with the department. At the last session of the Legislature a general law for the regulation of savings banks was passed. It is evident that several very cogent reasons may be presented

for the enactment of a similar law for the regulation of the banks. There are some obvious and some very grave defects in the general banking laws as they stand at present. One of the chief points is the absence of any clear and precise definition of the liability of stockholders for the debts of a free bank organized under the general law.

The progress of the State Banks of New York since the passage, 9th March, 1865, of the Act of the Legislature to enable the conversion of State Banks into National Banks, is shown in the subjoined table:

#### RESOURCES AND LIABILITIES OF THE STATE BANKS, 1865-1875.

Sept.	No. of banks.	Capital.	Due depositors on demand.	Loans and discounts.	Specie.	Profits and surplus.
1865.....	113 ..	\$ 20,436,970 ..	\$ 43,164,881 ..	\$ 37,386,884 ..	\$ 3,162,230 ..	\$ 5,183,633
1866.....	85 ..	15,443,477 ..	40,573,591 ..	37,420,718 ..	1,538,194 ..	4,579,440
1867.....	61 ..	14,696,189 ..	34,954,790 ..	35,413,421 ..	1,781,591 ..	5,125,540
1868.....	44 ..	14,578,260 ..	40,980,922 ..	39,455,487 ..	2,150,393 ..	5,758,181
1869.....	55 ..	18,205,924 ..	60,517,891 ..	47,743,597 ..	1,397,744 ..	6,805,689
1870.....	59 ..	19,759,810 ..	46,535,437 ..	46,435,920 ..	1,874,682 ..	7,384,299
1871.....	69 ..	23,061,020 ..	61,908,371 ..	56,318,799 ..	2,162,584 ..	7,628,050
1872.....	70 ..	24,845,040 ..	75,491,383 ..	66,076,361 ..	1,261,772 ..	8,624,172
1873.....	80 ..	26,958,890 ..	70,733,491 ..	71,073,544 ..	2,916,213 ..	9,256,782
1874.....	81 ..	26,336,290 ..	62,471,306 ..	66,435,729 ..	1,849,559 ..	9,754,938
1875.....	84 ..	24,915,090 ..	61,834,937 ..	68,191,919 ..	815,256 ..	9,504,766

The following table shows the chief aggregates of the State Banks in detail:

#### RESOURCES AND LIABILITIES OF THE STATE BANKS IN DETAIL.

RESOURCES.	Dec. 26, 1874.	March 27, 1875.	June 12, 1875.	Sept. 18, 1875.
Loans and discounts less due from directors and brokers.....	\$ 69,591,657	\$ 67,777,785	\$ 69,235,657	\$ 68,191,919
Overdrafts.....	142,284	113,570	140,161	123,361
Due from banks.....	7,113,802	6,096,972	7,860,896	8,330,767
Due from directors.....	2,213,354	2,076,440	2,191,376	2,258,394
Due from brokers.....	2,464,109	3,237,208	.....	.....
Real estate.....	2,160,107	2,152,110	2,178,801	2,178,418
Specie.....	2,172,779	764,596	1,360,411	815,256
Cash items.....	11,500,207	4,705,513	10,104,968	7,637,815
Stocks and bonds.....	2,904,746	3,246,101	4,510,246	4,388,820
Bonds and mortgages.....	454,067	543,330	404,129	397,442
Bills of solvent banks, and U. S. demand and legal-tender notes.....	6,180,493	7,425,398	10,881,358	11,892,563
Loss and expense account.....	811,694	367,414	733,805	746,609
Assets not included in either of the above heads.....	193,216	157,344	107,308	110,394
Add for cents.....	275	282	249	250
<b>Total resources.....</b>	<b>\$107,902,880</b>	<b>\$ 98,664,063</b>	<b>\$ 109,709,365</b>	<b>\$ 107,071,918</b>
<b>LIABILITIES.</b>				
Capital.....	\$ 26,456,490	\$ 26,315,090	\$ 25,165,090	\$ 24,915,090
Notes in circulation.....	79,042	78,345	78,567	77,895
Surplus fund.....	.....	.....	2,513,544	3,096,094
Profits.....	10,520,509	9,502,074	7,679,895	6,408,670
Due banks.....	6,307,071	6,205,933	7,250,464	7,554,808
Due individuals and corporations other than banks and depositors.....	1,204,657	884,068	1,073,560	1,059,361
Due Treasurer of the State of New York, Due depositors on demand.....	1,787,805	1,102,747	3,782,870	1,865,224
Amount due not included in either of the above heads.....	61,265,366	54,334,914	61,657,187	61,834,937
Add for cents.....	281,783	240,759	507,722	259,689
	137	133	166	150
<b>Total liabilities.....</b>	<b>\$107,902,880</b>	<b>\$ 98,664,063</b>	<b>\$ 109,709,365</b>	<b>\$ 107,071,918</b>

The Superintendent calls attention to the assumption by private bankers of titles intending to carry with them the idea

that the banking office is a corporate institution. The number of bankers of this description has quadrupled in six years. They were less than twenty in 1870; now they exceed sixty. The Superintendent urges that this practice should be prohibited. • He also discusses the usury penalties, and suggests that the decision of the courts having placed banks, State as well as National, under the provisions of the National Banking act, with respect to usury, it would be well to extend its privileges to citizens also.

### TRUST COMPANIES IN THE STATE OF NEW YORK.

Recent events have led to some solicitude in regard to Trust Companies in this State, and the reports of these institutions have been scrutinized with unusual interest. The following table shows the aggregates of their resources and liabilities, as reported to the Superintendent of the Bank Department at Albany in June, 1874 and 1875:

#### TRUST COMPANIES STATE OF NEW YORK, JUNE, 1874 AND 1875.

##### RESOURCES.

	1875.		1874.
Bonds and mortgages.....	\$ 5,876,634	..	\$ 4,982,341
Stock investments.....	22,151,283	..	16,215,848
Par value of the same.....	22,311,525	..	16,558,143
Estimated market value of the same.....	23,378,042	..	17,167,392
Amount loaned on collateral securities.....	19,635,475	..	19,096,541
Amount loaned on personal securities.....	13,092,646	..	9,369,289
Overdrafts.....	3,240	..	1,121
Due from directors or trustees.....	2,793	..	135,200
Due from banks.....	443	..	223,772
Real estate.....	1,494,381	..	1,255,417
Cash on deposit in banks and other moneyed institutions.....	5,119,082	..	4,255,143
Cash on hand.....	138,707	..	164,718
Other assets not included above.....	2,140,229	..	2,007,688
Add for cents.....	35	..	31
Total resources.....	\$ 69,654,948	..	\$ 57,716,109

##### LIABILITIES.

	1875.		1874.
Capital paid in.....	\$ 11,584,475	..	\$ 11,752,040
Surplus and other profits.....	5,144,083	..	4,797,196
Deposits in trust.....	29,442,552	..	22,249,357
General deposits.....	20,923,017	..	16,230,434
Other liabilities not included above.....	2,560,803	..	2,687,059
Add for cents.....	18	..	23
Total liabilities.....	\$ 69,654,948	..	\$ 57,716,109

These financial corporations are eleven in number—the Brooklyn Trust Company, chartered in 1866; the Farmers' Loan and Trust Company, chartered in 1822; the Mercantile Trust Company, chartered in 1868; the National Trust Company, chartered in 1867; the New York Guaranty and Indemnity Company, chartered in 1864; the New York Life Insurance and Trust Company, char-



tered 1830; the New York State Loan and Trust Company, chartered 1870; the Real Estate Trust Company, chartered 1871; the Syracuse Trust and Deposit Company, chartered 1866; the Union Trust Company, chartered 1864; and the United States Trust Company, chartered 1853. The heaviest deposits are held by three of these companies: the Union Trust Company holding \$8,472,442; the New York Life and Trust Company, \$9,116,672; and the United States Trust Company, \$18,953,078. It thus appears that these three companies hold \$36,000,000 of the total deposits of \$50,000,000 reported above as held by the whole of the Trust Companies. As one or two of this class of financial corporations have closed their doors during the last few months, a few remarks respecting them might seem to have been called for in the report of the Superintendent, from which we have taken the foregoing statistics. In an early article on the subject we shall lay before our readers some important facts relative to this influential class of financial institutions, and to the principles which can alone secure their successful operation. Eight of our Trust Companies, it will be seen, have been organized since the war. They make their reports once a year, and they enjoy under their charters certain privileges of which the banks and the other moneyed corporations are deprived. The youngest of this class of institutions in this city is the Central Trust Company, which has been recently organized.

---

## SHALL WE REPEAL THE RESUMPTION LAW?

AN ARGUMENT BY SENATOR JOHN SHERMAN.\*

Let us examine the arguments that have been urged for the repeal of the Resumption Act by those who, though favoring resumption, yet think the act should be repealed for one or other of the following reasons: 1. That it is not advisable to fix a day for resumption. 2. Or at least until the balance of trade is in our favor. 3. That it produces a contraction of the currency. 4. That it injuriously adds to the burden of existing debts. Let us glance at these objections. 1. As to fixing a day for resumption. If it was possible to agree upon measures that would secure resumption without fixing a time, I agree it would not be indispensable, though not unadvisable, to fix a time; but such agreement is utterly impossible. Of the multitude of schemes that have been presented to me by intelligent men trying to solve this problem, many could have been selected that in my opinion would be practicable; but of all of them not one ever has or is likely to secure

\*This brief and conclusive refutation of the popular and sophistical reasoning in favor of the repeal of the Resumption Act of January, 1875, forms the most important part of the speech delivered by Mr. Sherman in the United States Senate, at Washington, on the 6th of March. It is justly regarded as one of the most timely and effective pleas for a sound currency that have been offered during the session on this subject. We have slightly abridged the argument to bring it within our space.

the assent of a majority of a body so numerous as Congress. Under color of intending to prepare for it, I hope they will not repeal the law as it stands, which fixes a day for resumption and will secure the end we aim at. There is strong force in the fact that in every example we have of the successful resumption of specie payments in this and other countries a fixed day has been named by legislative authority, and the details and power of execution have been left to executive authority. Thus in Great Britain the Act of Parliament of July 2, 1819, fixed the time for full resumption at the 1st day of May, 1823, and for a graduated resumption in gold at intermediate dates; and for fractional sums under forty shillings to be paid in silver coin; and the Governor and Directors of the Bank of England were charged with its execution, and authorized at their discretion to resume payment in full on the 1st of May, 1822. France is now successfully passing through the same process of resumption, the time being fixed (two years ago) for January 1, 1878, and now practically attained. In our own country many of the States have presented similar laws in case of suspended bank payments, and in some cases the suspended banks have, by associated action, fixed a time for general resumption, and each bank adopted its own expedient for it. Sir, the light of experience is the lamp of wisdom. I can recall no case of successful resumption where a fixed future time has not been presented beforehand, either by law or agreement; while the historical examples of repudiation of currency have come by the drifting process, by a gradual decline of value, by increased issues, and a refusal to provide measures of redemption until the whole mass disappeared, dishonored and repudiated. As to the date selected, I can only repeat it was placed as remote as any one suggested; far more so than is necessary to secure the object, and so that the fluctuations of value will scarcely exceed in four years what they have frequently been in a single year. An ample time to arrange all the relations of debtor and creditor, and to enable Congress to provide any additional measure in aid of resumption, or, if events make it expedient, to postpone the time.

Again, it has been objected that we cannot resume until the balance of trade is in our favor. This phrase, "balance of trade," has been a favorite one with visionaries and theorists, sufficiently indefinite to confuse and to mislead. As generally understood, the dogma is "that a nation that imports more than it exports is growing poorer;" or, conversely, "that a nation that exports more than it imports is prosperous." Now, Sir, either proposition has been proved false in many cases, and may be true in some. It does not follow that an excess of imports creates distress, or a deficiency of exports is an evidence of poverty. Even the excess of imports upon which interest may be paid may be of wealth-producing productions, or a deficiency of exports may be caused by an increased domestic manufacture of raw products by home industry. But the best way to test the fallacy of this dogma is by reference to examples. Great Britain is known to be a pros-

perous nation of accumulating and accumulated wealth, and yet her imports have exceeded her exports every year for twenty years. The general average of her imports in excess of exports is £50,000,000, or \$250,000,000 a year. I have here the detailed statement of her imports and exports for 1872 and 1873: 1872, imports, £354,693,624; exports, £314,588,834; excess of imports over exports, £40,104,790, or \$200,000,000. 1873, imports, £371,287,372; exports, £311,004,765; excess of imports over exports, £60,282,607, or \$300,000,000. Now, according to the dogma of the "balance of trade," Great Britain is going into a rapid decay; while she knows this large excess of imports is an addition to her national wealth. But take our own country and compare years of conceded prosperity with years of hard times:

	1867.		1868.
Imports.....	\$391,121,801	..	\$351,214,010
Exports at gold value, including gold.....	<u>334,350,653</u>	..	<u>352,788,202</u>
Balance of trade against us.....	\$56,771,148		

Yet we were then prosperous, as we have so often been told, with plenty of paper money. Take the last two years, when we are told so often that distress, misery, and poverty prevailed:

	1874.		1875.
Exports at gold value, including gold.....	\$652,913,445	..	\$605,574,853
Imports .....	<u>595,861,248</u>	..	<u>553,906,153</u>
Balance of trade in our favor.....	\$57,052,197		

And the balance of trade in our favor is more striking during the seven months of the present fiscal year, from the 1st of July, 1875, to the 1st of February, 1876: The total exports, reduced to gold values, were \$334,853,996; the total imports were \$281,729,735; leaving a balance in our favor in coin for seven months of \$53,124,261.

All these amounts are reduced to a coin basis, and include both the importation and exportation of coin. According to the dogma of balance of trade, now is the golden moment to resume, when the balance is in our favor nearly one hundred millions a year. Yet many people cry out, "Wait for the balance of trade; don't force resumption." Well, the time has come, and yet they are not ready. This dogma has been the cause of infinite confusion, but is now abandoned. McCulloch, in his Dictionary of Commerce, thus refers to it: "In commerce the term 'balance of trade' is commonly used to express the difference between the value of the exports from and imports into a country. The balance used to be said to be favorable when the value of the exports exceeded that of the imports, and unfavorable when the value of the imports exceeded that of the exports. And in this country this was long believed to be the case, and down to a late period we were annually congratulated by our finance ministers on the excess of the exports over the imports. The attainment of a favorable balance was formerly regarded as an object of the greatest importance. \* \* \* The truth is, however, that the

theory of the balance of trade was not erroneous merely from the false notions which its advocates entertained with respect to money, but proceeded on radically mistaken views as to the nature of commerce. \* \* \* The argument about the balance of payments is one of those that contradict and confute themselves. \* \* \* Not only, therefore, is the theory with respect to the balance of trade erroneous, but the very reverse of that theory is true. \* \* \* It is difficult to estimate the mischief which the absurd notions relative to the balance of trade have occasioned in almost every commercial country; here they have been particularly injurious." This author fortifies his position with ample details, but it is sufficient to say that if the dogma is false we should not regard it, and, if it is true, now is the golden moment for resumption, for the balance of trade is in our favor. In my view it is utterly immaterial to the question before us.

The third objection is that the law produces a great contraction of the currency. Now, Sir, it ought to be confessed, for it is true, that any plan for specie resumption will, when it is about to take effect, produce some contraction of the paper currency. The drifting process, if it succeeds, must cause it as well. To wait for resumption until resumption will produce no temporary contraction is to wait until the rivers cease to flow or the mountains are level with the plains. Every time resumption has taken place in the historical cases I have referred to, contraction has preceded it. Remedies for bodily or political ailments are apt to be unpleasant. All we can say is that public honor and public policy demand the remedy for the dishonor and the evil of a depreciated currency; that the time is ripe for the cure and the means we have prescribed are suitable to the end. And, Sir, the degree of contraction and the effects of it are greatly exaggerated. The only contraction of the currency provided for by the Act is in the substitution of one form of currency for another. Thus, in place of the fractional currency is issued silver currency; and where National Bank notes are issued there is retired eighty per cent. of the amount in United States notes. Thus far no fractional currency has been retired; but we can now and will, if the law stands, issue as much silver currency as any one may wish in exchange for either fractional currency or United States notes; and, as to bank-notes, the amount issued since the Act took effect is \$13,820,760, and the amount of United States notes retired is \$11,056,608, leaving of United States notes still outstanding, \$370,943,392, or \$14,900,000 more than was outstanding when the Act of March, 1869, was passed, and the same amount more than was outstanding on the 14th day of September, 1873, when the panic came. Thus it appears that under the law the amount of bank-notes issued is \$2,800,000 more than the United States notes retired, and the contraction of the currency prescribed by this law is a myth. But there has been a contraction of the currency since the panic, and before and after the passage of the Act of 1875, which will go on whenever in any way a specie standard

approaches, and that is by the voluntary retirement by National Banks of a portion of their circulating notes. This contraction is not provided for by the Resumption Act, but is authorized by the National Banking Acts, and is the healthy ebb and flow of currency which it was the object of the law to secure.

In my judgment, the real solution of specie resumption will come through the voluntary act of National Banks, each acting for itself, under the general direction of the law, precisely as the Bank of England, the Bank of France, and the New York banks brought about and maintained resumption. I have never regarded with solicitude the amount of United States notes outstanding, for they can be easily maintained at par in gold; but the agency of the banks in securing resumption, and the effect of resumption upon their customers, were matters of solicitude. This I no longer doubt or fear. The whole problem consists in a partial and limited transfer of capital, now invested by National Banks in United States bonds, to individuals. And, Sir, this partial contraction of bank currency will unlock and dissipate a greater contraction, which has gone on since the panic, and will go on until the public mind rests assured that the day of resumption is not only promised, but rendered certain by the course of events. An increase of currency will follow resumption. Great masses of notes now lie idle in bank vaults and in the Treasury, and are hoarded in homesteads all over the land. There is deposited in the Treasury, without interest, and belonging to banks, \$31,005,000 represented by currency certificates. There are now in the vaults of the National Banks \$73,626,100 United States notes and fractional currency, \$17,166,190 bank-notes, in all \$90,792,290; and in the savings banks, State banks, and other banks that have made returns to the Comptroller of the Currency, the sum of \$48,431,409—in all making \$170,228,699, and this is far more than the reserve required by law. The practice of hoarding currency has greatly increased from the day of the panic, and it may be safely said that there is among the people and in savings banks and trust companies not less than \$200,000,000 of currency idle. Nothing but the best of security will tempt it from its hiding-places; but, that security offered, it can be had for a less rate of interest than ever before. Capital met its periodical shock in September, 1873, and great masses of it, some say one thousand millions, vanished as a dream, and are now represented by worthless bonds, bills, notes, and certificates of stock, worth but little more than the paper on which they are printed. This panic came upon us when the paper god was lord of the ascendant, when corner lots, at fictitious prices, were the par of exchange; when unproductive railroads were the El Dorados of visionaries, and wild schemes of improvement, both in this city and in all the cities of the Union, increased municipal debts to an unexampled degree. This reckless inflation of credits collapsed long before this law was passed. Money, the agent of capital, and, when idle, capital itself, was hoarded, and still remains inactive, or is

loaned on call or unquestioned security. This is the contraction of which so many complain. It is not caused by the Resumption Act, but by a want of confidence in investments that offer. Confidence cannot be restored by a repeal, or by issuing more paper money. But the occasion does offer you an opportunity of withdrawing a portion of this idle money, and thus reaching the specie standard. The banks can freely surrender a portion of their circulation, and thus be strong for resumption; while frightened and timid capital will gladly float into United States bonds when sold by the banks. Nothing is wanted but confidence, faith, and time, to secure the closing triumph of our war policy by the redemption of the only promise we then made that has not been honestly redeemed.

The remaining objection to the law is, it will add to the burden of existing debts. This objection is also inseparable from any plan of resumption. Postponement or repeal will not help the matter. The time for redemption must come. Current indebtedness was never less than now. Liquidation has gone on rapidly since the panic, and in many cases by open bankruptcy. Debts contracted since the passage of the act have been made in view of resumption in 1879. Many of the old debts run for a long period of years, and when issued were made upon the presumption of specie payments before they matured. Other large masses of debts stipulate for the payment of both principal and interest in coin. Nearly all the best investment securities are now at or near par in gold, and are bought and sold at gold values. Current debts in trade mature and are paid long before the time for resumption, and if renewed, the debtor and creditor adjust the mode of payment. All new transactions are based upon the knowledge that specie payments will come at the time stated, and for that reason lower rates of interest are stipulated for. Let it once be fixed in the public mind that on the 1st of January, 1879, paper money will be advanced to the specie standard, and debtors will readily borrow money payable in that standard at lower rates of interest. Capital will no longer be invested in gold bonds from the fear that if loaned to individuals it will be paid back in depreciated paper, but will eagerly be invested at low rates of interest on mortgage or other security if to be paid in improved and improving currency. Industries now languid or suspended will hopefully revive, now that stocks are reduced, and productions will have a fixed commercial value, not only in home markets, but the markets of the world. Merchants now fear the shrinkage of prices, but their stock will be renewed at a corresponding reduction of prices until all are measured by the gold standard, when they need have no fear of change of prices except those arising from demand and supply. Debtors are also generally creditors, and the loss and gain in values will balance each other, and the time is ample in which all losses can be adjusted. Never could our condition be better to resume the specie standard than now, unless we intend to perpetuate the use of depreciated

paper money and totally disregard the pledge of the public faith to redeem United States notes in coin. There are two objections made to the law, which I ought not to pass over without reply. One is that this law is forced resumption; that it is better to drift into resumption. It will come, they say, by natural causes. The other objection is that the law has been in force a year and we are no nearer resumption. It is, therefore, a dead letter, and ought to be repealed. These two objections are not consistent with each other, but each has its believers, and should be answered. The drifting process has been tried since 1868. Then the law fixed the volume of United States notes at \$356,000,000, and forbade its contraction, and the amount of bank-notes at \$300,000,000, and forbade its enlargement. It was said we would grow into resumption. This was the plausible dogma with which I was met when I sought the funding of notes into bonds. The result I have already stated. In 1870 the sectional inequality of the distribution of bank currency, inflamed into a passion by the sectional appeals of Horatio Seymour when a candidate for President in 1868, forced the enlargement of the limit of bank-notes to \$354,000,000; and the vain hope of stopping a panic by paper promises forced the enlargement of the limit of United States notes to \$382,000,000. So will it always be with this drifting process. When we reach a specie standard it is safe enough. If National Banks, then, issue more money upon sufficient security to pay in coin, they do it at their peril, and the people cannot lose nor their standard of value fluctuate. But even if it was possible to fix the present volume of currency as an arbitrary limit, it would only prolong indefinitely the evils of a depreciated currency. No one believes that we could maintain in circulation near \$800,000,000 of paper money all the time at par in gold. It must have the quality of flexibility in amount to meet the currents of trade and business—at times withdrawn, and when needed re-issued, but always of the value of gold—and these qualities can only be secured by prompt redemption when it is not needed, and its re-issue through loans and discounts by banks when the crops are to be moved or trade becomes active.

And as to the objection that the law has not already produced more immediate results, I admit that this is an objection to the law, but it was unavoidable under the circumstances. The time for resumption should have been fixed much earlier, so that its effect should have been more rapid. If by the law the banks had been compelled to prepare for resumption sooner, the appreciation of our notes would have been more marked, and so if a portion of the notes could be funded, or either gold or notes could be held in reserve by the sale of bonds. Who does not wish that our notes were now worth ninety-five instead of eighty-nine cents on the dollar? And yet to produce that result we must have hastened either the day for resumption or strengthened the measures for resumption.

## AUSTRIAN PAPER MONEY AND THE CRISIS OF 1873.

BY DUDLEY P. BAILEY, JR.

*(Concluded from March Number.)*

The year 1867 constitutes the turning point in the modern political history of Austria. The policy of centralization, which aimed at the most complete fusion of all the crown lands into one Empire, with one central Parliament, was finally abandoned. Instead of it, a system of dualism was adopted, according to which the Empire was divided into two administrations, with two Parliaments, one sitting at Vienna for the German and Slavonian crown lands known as the Cisleithan provinces, the other for Hungary and the other Transleithan provinces, the affairs common to the whole Empire being under a central Government. There were thus three financial budgets and three debts, those of Austria proper, of Hungary, and of the Empire. Simultaneously with the adoption of a more liberal and decentralizing policy, and in some measure, no doubt, as the result of it, the country started on a career of material prosperity and development which, though temporarily checked by the panic of 1873, is destined to be resumed in a more healthy form after a period of liquidation and recuperation, especially if a reform shall be effected in the currency. As this development is intimately connected with the crisis, it is well worthy of study. The first point to be noticed is the growth of the foreign commerce and circulating medium of the Empire.

The increase in the total commerce in the fourteen years, 1852 to 1865, was about 50 per cent., and in the ten years, 1865 to 1874, 67 per cent. In the former period the increase in the exports was 64 per cent. and only 32 per cent. in the imports; in the latter 120 per cent. in the imports and only 31 per cent. in the exports. During the five years, 1870-'74, there was a total excess of imports over exports of 608.2 million florins. It should be mentioned in this connection that the customs line between Austria and Hungary was abolished on the 1st of July, 1851. On the 1st of February, 1852, a new tariff was published by which a policy of protection was substituted for the prohibitory system previously in force. In 1853 Austria concluded a commercial treaty with the German Zollverein, and in 1865 another still more liberal, which has contributed greatly to increase the commerce of Austria with the States of the Zollverein. Of the whole commerce of the Austrian Empire, both imports and exports, nearly two-thirds is carried on with Germany. The next important market for Austria is Turkey, which is followed, but at a long distance, by Italy and Russia.



The figures which follow are for the most part from the correspondence of the *London Economist*:

Years.	In millions of florins.		Differences between imports and exports.	State notes in circulation.*	Bank notes in circulation.*	Average rate of discount at Vienna. per cent.	Price of 100 fl. silver in paper.
	Entire commerce. Imports.	Exports.					
1852	194.7	210.4	+ 15.7	a164.9	a199.6	...	119.75
1853	197.6	235.5	+ 37.9	148.3	188.3	...	110.62
1854	212.3	221.0	+ 8.7	....	383.5	...	127.75
1855	235.7	238.7	+ 3.0	....	377.9	6.00	121.62
1856	262.8	255.5	- 7.3	....	380.2	6.00	105.37
1857	263.9	232.3	- 31.6	....	383.5	5.21	105.5
1858	257.2	229.7	- 27.5	150.0	385.0	5.00	104.12
1859	200.6	217.4	+ 16.8	....	466.0	5.00	120.62
1860	208.8	264.7	+ 55.9	....	....	5.00	132.25
1861	243.8	276.8	+ 33.0	....	475.2	6.00	141.25
1862	239.0	293.0	+ 54.0	b112.9	....	5.72	128.07
1863	254.2	291.2	+ 37.0	109.8	396.6	5.83	113.79
1864	254.8	323.4	+ 78.6	102.0	375.8	7.60	115.72
1865	256.8	344.5	+ 87.7	97.8	343.5	...	108.32
1866	217.9	329.5	+ 111.6	325.5	....	...	119.84
1867	294.3	407.4	+ 113.1	425.2	....	4.00	124.31
1868	387.4	428.9	+ 41.5	424.3	....	4.00	114.48
1869	418.9	438.1	+ 19.2	c311.1	c300.3	4.44	121.02
1870	431.9	395.4	- 36.5	....	....	5.37	121.89
1871	540.7	467.6	- 73.1	373.6	....	5.62	120.38
1872	613.7	388.0	- 225.7	376.0	318.3	5.62	109.27
1873	583.1	423.6	- 159.5	344.0	352.1	5.25	108.14
1874	e565.6	e452.2	- 113.4	....	293.2	4.87	105.00
1875	....	....	....	d340.0	d302.1	d4.37	f101.75

\* At the close of the year unless otherwise specified. a August 31st. b October 31st. c June 30th. d September 1st. e By a new valuation introduced in 1874 the imports for that year amount to 627.5 million florins, and the exports to 502.8 millions; total, 1,130.3 millions. f September 21, 1875. During most of the year 1875 the premium on silver remained as in 1874 at about 5 per cent., while the premium on gold was somewhat higher.

The material development of the Empire is further attested by the increase in the means of communication. There were, in 1873, 2,711 telegraph stations, 27,566 miles of line, and 78,137 miles of wire. The number of messages transmitted in that year was 7,064,200, against 2,507,472 in 1866, 846,953 in 1861, 251,948 in 1856, and 44,911 in 1851. The number of post offices in 1873 was 5,660, against 5,142 in 1871, and the number of letters, private and administrative, sent in 1873 was 245,348,100, against 138,605,334 in 1868. The number of miles of railroad open for traffic increased from 3,450 English miles in June, 1864, to 4,271, January 1, 1868, 9,583 January 1, 1874, and 10,387, January 1, 1876, while the capital invested in railways increased from 713 million florins in 1863 to 2,127 millions in 1874, being about threefold. Of a total increase of 1,414 millions, 979 millions consisted of debentures, and 435 millions of shares. The revenue of the railways increased from 152,800,000 florins in 1871 to 160,800,000 florins in 1872, and 185,800,000 florins in 1873.

There were, at the end of 1873, 259 savings banks, against 211 in 1871. The number of depositors was 1,207,688, against 1,027,048 in 1871, and only 526,620 in 1865. The amount of the

deposits in 1873 was 482,763,132fl. against 341,137,380fl. in 1871, and only 118,885,670fl. in 1865. As to the growth of indebtedness, it is stated that between the years 1868 and 1874, the amount of mortgage debts increased by the sum of 526 millions of florins.

As regards the more speculative aspects of this development to which more especially the crisis of 1873 is due, the London *Economist* has recently published some very interesting statistics from the late work of Max Wirth, an eminent German economist, from which the following facts are largely drawn. The crisis was preceded by a speculative era, a prominent feature of which was the rapid increase of stock companies. In this respect it resembled the English crisis of 1866. Between 1867, and May, 1873, concessions were granted for 1,005 companies, with a share capital of 4,000 million florins, of which 323, or about one-third, with a share capital of 1,422 million florins, came to nothing, and 682, or about two-thirds, with a share capital of 2,577 millions, actually went into operation. The capital required to commence operations by all the companies was 1,284.1 million florins, and by the companies that actually went into operation, 850.7 millions. Among these companies were 175 banks, of which 143 were actually set up. During 1872 and 1873 the growth of companies, as well as the proportion of abortive companies, was most extraordinary, especially when it is considered that the operations of the latter year were really for only the first four months, at the end of which company-forming was brought to an abrupt close by the panic.

PROGRESS OF COMPANY FORMATION IN AUSTRIA, 1867-73.

Years.	Capital of abortive companies.	In Millions of florins. Capital of companies that went into operation.	Capital of all companies.	Capital of all companies necessary to commence business.
1867.....	6.10	73.25	79.35	43.67
1868.....	4.01	84.25	88.26	25.86
1869.....	67.15	450.07	517.22	130.64
1870.....	32.41	123.94	156.35	56.26
1871.....	41.17	320.63	361.80	110.85
1872.....	601.34	1,192.38	1,793.72	565.96
1873.....	670.72	333.14	1,003.86	350.86
Total.....	1,422.90	2,577.66	4,000.56	1,284.10

The growth of banking in Vienna during this period was as follows:

Years.	No. of Banks.	Capital in mill. ions of florins.	Years.	No. of Banks.	Capital in mill. ions of florins.
Dec. 31, 1864..	6	185.45	Dec. 31, 1869..	23	200.18
1865..	6	180.45	1870..	21	218.70
1866..	6	181.65	1871..	31	258.94
1867..	6	181.45	1872..	59	417.19
1868..	10	170.90	May 9, 1873..	69	519.29

There was a panic on the Stock Exchange in the Autumn of 1869 which prostrated some of the speculators, and, as the forego-

ing figures show, retarded the increase of the new companies for a time; but the progress soon became more rapid than ever. These companies were created, in most cases, not to meet any real want, but to secure the high rate of profit derived from founding them. Thus the number of banks in the Empire increased from 44 in 1870 to 91 in 1872, their net profits from 33,330,000 florins to 88,870,000 florins, and their rate of profit from 14.2 to 22.4 per cent., and this on a largely increased capital. But while the profits from banking proper had increased very little, the profits from commissions, syndicate and issue operations, rose from 7,630,000 florins to 38,750,000 florins. There was also a large increase in the number of institutions receiving deposits at call or notice, and giving drafts or obligations for them. Between 1867 and 1873 383 companies had received permission to issue such obligations, and the business had increased as follows:

<i>Years.</i>	<i>Liabilities. Florins.</i>	<i>Years.</i>	<i>Liabilities. Florins.</i>
1870.....	77,000,000	1872.....	142,000,000
1871.....	105,000,000	1873.....	180,000,000

The liabilities of the banks had increased from 336,920,000 florins in 1870 to 404,510,000 florins in 1871, and 827,560,000 florins in 1872, the credit side having increased much less. Thus the *Treasury*, a financial periodical of Vienna, gives a list of the discounts of all Austrian and Hungarian banks, and some savings banks, amounting to more than 2,601 at the end of each of the following years, showing a much smaller relative increase:

<i>Years.</i>	<i>Discounts. Florins.</i>	<i>Years.</i>	<i>Discounts. Florins.</i>
1871.....	398,932,900	1873.....	480,885,600
1872.....	469,822,600	1874.....	472,766,300

The amount of acceptances of the banks had increased from 43,440,000 florins at the end of 1870, to 57,210,000 florins in 1871, and 100,370,000 florins in 1872. As a specimen of the operations of these banks it is stated that certain banks with a share capital of 2,000,000 florins had made advances of twenty to thirty millions, or from ten to sixteen times their capital. The chief business of many of these banks was to found other banks, not only in the provinces, but all over Europe.

As a consequence, the business on the Vienna Bourse had greatly increased. In one of the days of scarcity of money, at the end of 1872, the arrangements and bargains, excluding *rentes* and certain other securities, numbered 90,428, representing 2,000,000 shares and a nominal sum of 450 million florins dealt in in one day. "The proportion of money passing to the business done was 1 in 13, which fell afterwards to 1 in 18. In many days in 1872 the whole number of bargains exceeded 100,000. The number of stocks quoted in the Vienna official list had also increased from 152 at the beginning of 1867 to 605 at the beginning of 1874. The daily number of 'visitors' at the Bourse also increased from between 900 and 1,000 at the beginning of 1867 to between

3,300 and 3,600 at the beginning of 1873." The Vienna public seemed almost entirely absorbed in speculations of the Bourse. The price of stocks was forced up to fabulous heights. "To bring out some new stock," says the correspondent of the *London Times*, "at less than 20 per cent. premium was scarcely thought to be a stroke of business, while in many instances financial companies which were only beginning business, and had therefore not earned a penny, commanded a premium of 50 per cent. and even more." "Within the last few years a transformation has been effected in Austria similar to that which occurred in France under the Empire. Here, as there, all those savings which had been carefully treasured up or invested in good mortgages, and occasionally in *rentes* and railway debentures paying 5 or 6 per cent., were allured by the prospects of rapid gain, and went to relieve the market of a part of the stock. But so rapid were new creations following each other, that if the savings had been ten times as great as they were they would not have sufficed." Among the numerous financial bubbles the greatest was that of the building companies, 33 in number, representing a nominal capital of 260,000,000 florins. These grew out of a real estate speculation closely connected with the speculation in stocks. The increase in the population of Vienna and in the number of people who were making large incomes, if not large fortunes, had created such a demand for additional accommodations that house rent had nearly doubled in the six years ending in 1873. As a consequence building was greatly stimulated, and house property and building land in and about Vienna became to be considered as among the most remunerative investments. When the impulse was given to building the new quarters of Vienna, two or three building companies were started with great success. Most of the earlier creations were sound. It was otherwise with 17 new companies started in imitation of the earlier ones, and representing alone a capital of 70,000,000 florins. It was on these more especially that the speculation had been concentrating itself just previous to the crisis. Almost every one of the speculating banks had started one or more of these building companies, and so carried away was the public with speculation that their shares were eagerly taken. Not only in house rents but in the prices of commodities was there an artificial inflation occasioned by the prodigality of those whose means of expenditure had been suddenly increased by speculation. The demand for money, moreover, to carry such immense quantities of stock caused fabulous rates of interest to be paid on loans secured by these stocks, and special associations were formed for the sole purpose of granting such accommodations. While the delusion lasted the profits of these associations were enormous. Thus in a multitude of ways did those who depended upon the smaller gains of legitimate industry and trade suffer from the unnatural competition arising from the prevailing speculation.

The inquiry suggests itself here, why is it that at certain pe-

riods the fever of speculation seizes upon such masses of people? One general cause will usually be found in the over-sanguine tendency of mind engendered by a considerable period of almost uninterrupted prosperity. There were, however, certain special causes which operated in this particular case. These were: *First*, inconvertible paper money which, by its sudden superabundance after the war of 1866, created a rage for expenditure and investment, and by its incessant fluctuations made speculation and stock-gambling the shortest, if not the surest, road to fortune; *second*, the stimulus to production resulting from the vast destructive consumption of products in the Franco-German war; *third*, the indemnity payments, the influence of which was communicated from Germany to Austria owing to the intimate commercial relations between them. The influence of this latter cause in Germany may be inferred from the fact that in the years 1871-'73 there had been created in that country 945 companies with a share capital of 1,590 millions of florins.

The amount of stock created was so utterly disproportioned to the capital of the Austrian Empire that a crisis had for some time been considered inevitable. The great Exhibition which was to crown the recent industrial and commercial progress of Austria had been but lately opened, when, on Friday, the 9th of May, 1873, the failure of one of the leading financial houses at Vienna, whereby a large amount of stock was thrown on the market, caused an immediate collapse of the bubbles which speculation had created, producing such a degree of panic that for several hours the Stock Exchange had to be closed,—an event which had not occurred since the assassination of Count Latour in October, 1848. So great was the exasperation against those who were considered the cause of the crash, that several of the persons who had been in the foreground in starting bubbles could only through the interposition of the police escape being lynched. Immediately an attempt was made to arrest the crisis by forming a relief committee from the principal financial establishments at Vienna, which united with the Government to subscribe a guarantee fund for the purpose of aiding firms which were able to give satisfactory security. For the reason, probably, that these firms could not in most cases give such security, this attempt like a number of other similar ones subsequently made proved abortive, and the work of destruction went on.

The outbreak of the crisis found about 360 millions of State notes in circulation. The condition of the National Bank for the week ending May 7th, was as follows: coin and bullion, 143.2 millions of florins; discounts and advances, 194.9 millions; circulation, 321.6 millions,—giving a total note circulation of 681.6 millions. The Bank by its charter\* had the right to issue only 200

\*This is the Bank Act of December, 1862, by which the privileges of the Bank were extended for ten years from December 31, 1866, at which time its charter was to expire. The restriction seems to have been adopted in imitation of the English Bank Act of 1844, though with this important difference, that while the bullion in the Bank of England can be used for no other purpose than the redemption of notes issued, the specie in the Austrian Bank can be used for any purpose which the Bank deems fit. The act operates to restrict the issues rather than to secure convertibility.

millions of florins of notes in excess of the bullion held by it. It could, therefore, as its bullion then stood, issue 343.2 million florins of notes without infringing on its charter, so that its actual issues were 21.6 million florins below the prescribed limit. As it was feared that an increase of this amount in the Bank's circulation would not enable it to grant the accommodation which the emergency required, the suspension of the act had already begun to be agitated. All the representatives of the financial houses at length became unanimous in advocating this measure, as there was danger that the crisis, which had thus far been confined to the Stock Exchange, would extend to commercial transactions. On Tuesday, the 13th, the Hungarian Government gave its consent to the suspension. The Bank statement of the 14th showed very little change from the previous week. On Thursday the 15th came the dreaded Stock Exchange settling day. Says the correspondent of the *London Times*: "The havoc was great. Up to 1 P. M. 95 insolvencies had been declared. The bell which announces such events had scarcely a respite from 10 A. M. It was a sort of massacre, and by 6 P. M. the number of those dispatched amounted to 120. Several considerable men were among the number, but they were mostly the small men." On Friday, the 16th, just one week after the crisis had broken out, the Government suspended the Bank Act, but the measure did not afford the expected relief. On the Stock Exchange business still remained stagnant. On Saturday, the 17th, came the second Stock Exchange settling day, when all the liabilities which had arisen since the outbreak of the crisis were to be adjusted, and these were quite as heavy as those settled on the 15th, if not heavier. The occasion passed off with less trouble than had been anticipated, and there were only about fifty additional failures. Though there were among the insolvents some who had been considered wealthy, they were without exception new men who had been brought to the surface by the tide of fortune within the previous four or five years.

The Bank now began to extend its accommodations. Although its coin and bullion continued unchanged, it increased its discounts and advances during the week ending May 21 to 226.3 million florins, and during the succeeding week to 230.2 millions. Its circulation for these periods was 344.7 millions and 340.9 millions respectively, the limit of the Bank Act being slightly exceeded in the former. Previous to October following, only two other returns, those of July 9th and 16th, showed this limit to have been passed. The Bank's rate of discount remained uniform at 5 per cent from March to October.

Until towards the end of May the calamity remained local and partial. There were few insolvencies, though some heavy losses, on the provincial exchanges. The panic had not yet overstepped the limits which separate trade and legitimate banking from speculation. Not a single insolvency had occurred among the firms engaged in legitimate commerce and manufactures. As in the case of our own crisis, it was hoped and even supposed that only the

Stock Exchange would be affected. But so intimate is the connection between all the parts of our modern commercial mechanism, that one branch of business seldom sins or suffers alone. The unnatural increase of the imports showed that the speculative fever had artificially inflated general trade, and though the crisis began on the Stock Exchange it did not end there. As most of the speculators who were in difficulties did not possess the kind of securities upon which the Bank was accustomed to grant advances, they were in many cases unable to obtain relief, and at the close of the month stocks were depressed by forced sales to a lower point than that reached in the midst of the panic itself, many of them being unsalable at any price. The crisis began to extend over the Provinces and to commerce. In Hungary two banks became insolvent, and at Pesth a severe scarcity of money was felt. Early in June there was a run upon the Vienna Exchange Bank for the payment of its obligations in the shape of interest-bearing notes payable at fourteen days' notice. This was among the boldest of the speculating banks, and had made large profits by its success in financing all sorts of enterprises. Being unable to realize the funds necessary to meet the demand upon it, suspension became inevitable, with liabilities of 13 millions and nominal assets of 19 millions. On the 9th of June its Directors voted to wind up the concern. Various expedients continued to be resorted to for the purpose of gaining relief, each in turn exciting hope and ending in disappointment. In the following autumn the perturbation of the money market caused by the crisis in this country resulted in a temporary renewal of the panic. The Bank now made a larger use of the privilege of increasing its uncovered issues beyond 200 millions of florins. This began to appear in the account of October 15th, which showed a circulation of 346.4 millions against 144.4 millions of coin and bullion. The discounts and advances were 221.9 millions. From this time until the week ending November 12, both the circulation and the discounts and advances continued to increase, reaching at that time their maximum of 373.1 millions in the circulation, and 253.6 millions in the discounts and advances. This did not, however, afford the desired relief, not only because those who were in the greatest straits could not furnish the required security, but because the Bank by its statutes could only discount bills not running over three months, while the usual mercantile credit on sales of goods was six or seven months. On Monday, the 3d of November, occurred a sudden and alarming decline in stocks, amounting to from 20 to 50 per cent. in a few hours, and including even those which had previously been best sustained. A settled conviction began to prevail that only direct assistance on the part of the Government could prevent a collapse, not only of stocks, but of commerce and industry. In response to the appeal for Government relief, the Minister of Finance promised to bring before the Reichsrath, soon to meet, a proposition for State help, and this assurance caused a speedy recovery of stocks. In accordance

with this promise, a measure was introduced into the Reichsrath, and on the 10th of December adopted, providing for a State loan in silver of 80,000,000 florins, to be used by the State in relieving industry and trade. A part of this fund was to be applied to assist in the construction of railways, many of which, prevented by the crisis from procuring funds, were unable to go on. The other portion was to be applied to the establishment on the part of the Government of loan offices, which were to grant accommodations, at not less than 8 per cent., for between three and six months, on various securities. The central administration of these loan banks in Vienna has issued loans to the amount of 15,250,000 florins, of which 13,300,000 florins remained unpaid in January last. For the whole of Austria 19,000,000 florins were so lent, or about one-fourth of the amount borrowed by the State, of which 13,650,000 remained unpaid in January last. The excess of circulation of the National Bank beyond the limits of the Bank Act, amounting during the week ending November 12 to 28,500,000 florins, gradually diminished after this date by the reduction in its accommodations and circulation, until the account of January 28, 1874, showed that it had disappeared entirely. It was not, however, until October, 1874, that the right of the Bank to exceed the limit finally expired, after being in force about seventeen months.

The process of liquidation and fusion commenced even while the panic was in progress. Among the first to take this step were the 17 new building companies, which determined to merge into one company, with a capital reduced to 20,000,000 florins. Up to September, 1874, out of 682 companies established and actually set in operation between 1867 and 1873, 166, with a subscribed capital of 360,500,000 florins, and a nominal capital of 1,022,850,000 florins, had gone into liquidation or bankruptcy, or been merged with others. Of these 166 no fewer than 125 belonged to the years 1871-'73, and only 41 to the years between 1867 and 1871. Most of these 125 were established in the last sixteen months before the crisis, and, with few exceptions, the catastrophe happened in each case after the crisis of 1873. The fusions were few in comparison with the bankruptcies or liquidations. The mortality among the banks was even more remarkable. The diminution in the number and capital of the Vienna banks has been as follows:

	<i>No. of banks.</i>	<i>Paid-up capital.</i>
At the outbreak of the crisis, May 9, 1873..	69 ....	519,290,000 florins.
" close of 1873.....	42 ....	410,680,000 "
" " 1874.....	28 ....	288,680,000 "
September, 1875.....	26 ....	281,000,000 "

Of the 43 banks which have ceased to exist, 4 were bankrupt, with a capital of 12,000,000 florins; the others have liquidated voluntarily, or associated themselves with other banks. In the provinces the number of banks at the outbreak of the crisis was 68, with a paid-up capital of about 100 million florins. Up to



September, 1875, one-half of these banks, with 37 millions of capital, had ceased to exist. Eight of these were bankrupt, involving a loss of capital of  $3\frac{1}{2}$  million florins. A great reduction has ensued in the transactions of the Vienna Clearing-House; the total compensations from January to May 25, 1875, amounted to 193 million florins, against 244 millions in the same period of 1874,—a decrease of more than one-fifth.

The imports for the first six months of 1875 were 258.9 millions of florins against 274 millions in the same period of 1874. The exports amounted to 223.2 millions of florins against 196, showing some progress toward regaining the proportion of exports which formerly existed. The revenue of the Austrian and Hungarian railways has been somewhat affected by the crisis, though less than might be expected. It was 181,573,000 florins in 1875, against 177,800,000 in 1874, and 185,800,000 florins in 1873, giving a revenue to each mile of road completed at the end of the year equal to 17,480 florins in 1875, 17,850 florins in 1874, and 19,390 florins in 1873.

As in this country, the crisis has made its mark upon the progress of railway construction, which has declined from 1,349 miles in 1871 to 1,311 miles in 1872, 1,057 miles in 1873, 379 miles in 1874, and 426 miles in 1875. Real estate has suffered a serious fall, the depreciation in house property and building land at the close of 1873 being estimated at about one-third of its former value. The return to a healthier state has been accompanied by some contraction of the note circulation, the volume of the State notes being reduced to 347,069,768 florins on the 1st of February, 1876, and the National Bank notes to 283,480,000 florins on the 24th of January last, giving a total note circulation of 630,549,768, against 642,100,000 florins September 1, 1875, 696,100,000 florins December 31, 1873, and 720,000,000 florins in June, 1873.

Such was the Vienna crisis of 1873, and some of its results, an account of which furnishes an appropriate conclusion to a sketch of Austrian paper money, of which the panic was a legitimate sequence. The experience of Austria confirms several important economic truths. First. It shows how fatal it is to the interests of a bank as a commercial institution to be too much complicated in the fortunes of the Government. The misfortunes of the Austrian National Bank are due mainly to the fact that its resources have been so largely at the service of the State. Second. It shows the injurious consequences to the bank-note currency of the issue by Government of inconvertible legal-tender notes. The Austrian National Bank, with its issue restricted by the wholesome provisions of the Bank Act, could easily resume were it not that its efforts to this end are paralyzed by the establishment of a debased paper standard of value. Third. The crisis explodes a delusion, which prevailed in this country to a considerable extent, that an ample supply of paper money affords some security against such a catastrophe, and shows, on the contrary, what we are slowly

learning by costly experience in our own commercial affairs, that paper money, by the uncertainties it introduces into commercial transactions, but intensifies and prolongs the crisis when it comes, thus making it doubly destructive, and, at the same time, retarding the restoration of confidence, which is among the most important conditions of recuperation.

As the charter of the Austrian National Bank expires at the close of the present year, the currency question there, as well as here, is likely to undergo a re-examination, the result of which will deserve careful attention.

Among the changes likely to be urged are the substitution of gold for silver as the standard of value, and the establishment of a Hungarian Note Bank. As to the former, it would make the return to specie payments more difficult, but would secure to commerce a much better monetary instrument than it can have in silver. The Hungarians have been for some time clamorous for an independent note bank, which has been firmly resisted by the Cisleithan portion of the Empire, as likely, until the resumption of specie payments, to produce a further debasement of the currency. It has therefore been proposed, as a modification of this scheme, that the Austrian National Bank found a Hungarian Note Bank, and take upon itself the responsibility of seeing the notes duly exchanged, besides accepting them at its own offices.

---

## THE BULLION PRODUCT OF THE UNITED STATES.

(CONTRIBUTED.)

The earliest discoveries of gold in the United States appear to have been made in the State of North Carolina in 1799. The mines in this State belong to the Appalachian gold field, which traverses the States of Virginia, North Carolina, South Carolina, Georgia and Alabama, with some partial developments in Maryland, Pennsylvania, Vermont and New Hampshire. The first deposit at the United States Mint of gold from these mines was made in 1804. From that time until 1828 inclusive, these deposits amounted to only \$156,000. No deposits were received from any other State than North Carolina until 1829. The deposits at the Mint from these mines reached their maximum of \$1,134,391 in 1846, and the total deposits from 1804 to 1847 inclusive, amounted to \$12,808,575; from 1848 to 1862 inclusive, to \$6,443,911; and during the entire period from 1804 to June 30, 1875, to only \$20,862,435, against \$19,214,636 to June 30, 1862. The total production of gold from these mines previous to 1848 is estimated by Commissioner Raymond at \$14,440,000, and to June 30, 1875, it may have amounted to \$25,000,000. Since 1848 the mines east of the Mississippi have been overshadowed by the greater discoveries on the Pacific Coast, and in 1861 the Rebellion almost entirely annihilated what little activity they still retained.

The first discovery of California gold was, according to the Report of the Mining Commissioner for 1866, made by James W. Marshall at Coloma, Cal., on the 19th of January, 1848. The first deposit of gold from California at the Mint, consisted of 1804.59 ounces, Troy, 894 fine, and was made by David Carter, December 8, 1848. No silver of any considerable amount was mined previous to 1859, though the Reports of the Mint show deposits of silver parted from gold as far back as 1841, and the total of such deposits to June 30, 1857, amounted to \$2,700,728.50. In the year ending June 30, 1858, the first deposits of silver, other than parted from gold, were made from the Lake Superior Mines. In June, 1859, the first rich deposits of silver ore were made known and the silver product has from that time increased rapidly and with little interruption, while the gold product has declined to less than three-fourths of its maximum. The largest quantity of domestic gold deposited at the Mint in any single year was \$57,258,158.23 in 1854. The largest deposits of domestic silver were \$15,164,785 in the year ending June 30, 1875. The total quantity of gold of domestic production deposited at the United States Mint and branches and Assay Offices to June 30, 1875, was \$905,531,641.57; of silver of domestic production, \$58,546,204.40; of both metals, \$964,077,845.97. Of the gold \$258,421,256.68 were received at the Philadelphia Mint, \$388,785,509.46 at the San Francisco branch, \$8,229,090.33 at Denver branch, \$15,257,173.83 at Carson City branch, \$22,404,993.74 at New Orleans branch, \$6,117,913.95 at Dahlonega branch, \$5,143,991.75 at Charlotte branch, \$200,801,419.75 at the New York Assay Office, and \$370,292.08 at Boise City Assay Office. California stands credited with the largest quantity of the gold deposits, amounting to \$657,197,514.48; Montana comes next with \$38,926,918.48; Colorado furnishes \$23,171,189.83; Idaho, \$20,075,178.80; and there are \$105,657,838.82 of refined gold the source of which is not given. Of the silver deposits Nevada is credited with the largest share, amounting to \$20,737,254.33; Colorado with \$5,223,102.70; Utah with \$3,785,383.25; Lake Superior Mines with \$2,092,782.82; and there are \$17,423,926.41 of refined silver, and \$6,040,984.20 of silver parted from gold the source of which is not given.

The quantity of the precious metals produced in this country from their first discovery is not, and from the nature of the case cannot be, accurately known. Within the last few years the returns furnished by J. J. Valentine, General Superintendent of Wells, Fargo & Co.'s Express, afford a reliable basis for estimating our bullion product. But for the earlier years nothing better than rough estimates exist, those of different authorities often showing marked discrepancies. The following estimate of the bullion product by Professor R. W. Raymond, United States Mining Commissioner, to which we have added estimates for 1875 on the basis of the returns furnished by J. J. Valentine, of Wells, Fargo & Co., is more full and complete than any other, and is sufficiently moderate:

## BULLION PRODUCT OF THE UNITED STATES SINCE 1847.

*(Mining Commissioner's Reports, 1874 and 1875.)*

Year.	Gold			Silver.	Total.
	California.	Other States and Territories.	Total.		
1848	\$ 10,000,000	.....	\$ 10,000,000	-	\$ 10,050,000
1849	40,000,000	.....	40,000,000	-	40,050,000
1850	50,000,000	.....	50,000,000	-	50,050,000
1851	55,000,000	.....	55,000,000	-	55,050,000
1852	60,000,000	.....	60,000,000	\$ 50,000 per annum on the average; in all \$ 550,000.	60,050,000
1853	65,000,000	.....	65,000,000		65,050,000
1854	60,000,000	.....	60,000,000		60,050,000
1855	55,000,000	.....	55,000,000		55,050,000
1856	55,000,000	.....	55,000,000		55,050,900
1857	55,000,000	.....	55,000,000		55,050,000
1858	50,000,000	.....	50,000,000		50,050,000
1859	50,000,000	.....	50,000,000	\$ 100,000	50,100,000
1860	45,000,000	\$ 1,000,000	46,000,000	150,000	46,150,000
1861	40,000,000	3,000,000	43,000,000	2,000,000	45,000,000
1862	34,700,000	4,500,000	39,200,000	4,500,000	43,700,000
1863	30,000,000	10,000,000	40,000,000	8,500,000	48,500,000
1864	26,600,000	19,500,000	46,100,000	11,000,000	57,100,000
1865	28,500,000	24,725,000	53,225,000	11,250,000	64,475,000
1866	25,500,000	28,000,000	53,500,000	10,000,000	63,500,000
1867	25,000,000	26,725,000	51,725,000	13,500,000	65,225,000
1868	22,000,000	26,000,000	48,000,000	12,000,000	60,000,000
1869	22,500,000	27,000,000	49,500,000	13,000,000	62,500,000
1870	25,000,000	25,000,000	50,000,000	16,000,000	66,000,000
1871	20,000,000	23,500,000	43,500,000	22,000,000	65,500,000
1872	19,000,000	17,000,000	36,000,000	25,750,000	61,750,000
1873	17,000,000	19,000,000	36,000,000	35,750,000	71,750,000
1874	19,000,000	23,177,092	42,177,092	30,251,114	72,428,206
1875	17,000,000	30,670,000	47,670,000	29,500,000	77,170,000
Total	\$1,021,800,000	\$308,797,092	\$1,330,597,092	\$245,801,114	\$1,576,398,206
Gold product of the United States before 1848.....					14,440,000

Total gold and silver product of the United States..... \$1,590,838,206

The following estimate of the bullion product from 1849 to 1868 inclusive is by Mr. E. B. Elliot, Chief Clerk of the Bureau of Statistics:

Year.	Aggregate in Millions of Dollars.			Annual Average in Millions of Dollars.		
	Gold.	Silver.	& Silver.	Gold.	Silver.	& Silver.
1849-1851 (3) ..	94.0	.	94.00	31.3	.	31.30
1852-1856 (5) ..	350.8	.	350.80	70.2	.	70.20
1857-1858 (2) ..	131.9	.	131.90	65.9	.	65.90
1859-1863 (5) ..	268.3	18.30	286.60	53.7	3.60	57.30
1864-1868 (5) ..	207.4	69.30	276.70	41.5	13.80	55.30

With the products for the subsequent years as previously given, the total production of gold for the twenty-seven years, 1849-75, would, according to this estimate, amount to \$1,357,250,000, and of silver for seventeen years, \$259,850,000, giving an annual average production of gold of \$50.27, and of silver of \$15.28.

There are other estimates which place the bullion product at a much higher figure than either of the preceding. They are as follows:

Authority.	Year.	Bullion Product.
World, June 8, 1861.....	1848.....	\$58,902
" ".....	1849.....	8,196,678
" ".....	1850.....	48,241,168
" ".....	1851.....	84,434,355
" ".....	1852.....	80,150,000
" ".....	1853.....	99,864,753
" ".....	1854.....	90,000,756
" ".....	1855.....	79,969,603
" ".....	1856.....	88,715,608
" ".....	1857.....	85,550,955
" ".....	1858.....	83,043,287
" ".....	1859.....	83,055,757
" ".....	1860.....	74,008,750
U. S. Mining Com. Rep., 1866, by J. Ross Browne.....	1861.....	43,391,000
" " " ".....	1862.....	49,370,000
" " " ".....	1863.....	52,500,000
" " " ".....	1864.....	63,450,000
" " " ".....	1865.....	70,000,000
Prof. R. W. Raymond.....	1866 <sup>*</sup> .....	83,000,000
J. Ross Browne.....	1867.....	75,000,000
Prof. R. W. Raymond's Report for 1869.....	1868.....	67,000,000
" " " " 1873.....	1869.....	61,500,000
" " " ".....	1870.....	66,000,000
" " " ".....	1871.....	66,663,000
" " " ".....	1872.....	63,943,857
Wells, Fargo & Co.'s Express.....	1873.....	172,258,693
" " " ".....	1874.....	174,401,055
" " " ".....	1875.....	180,889,037
Total.....		\$1,894,723,214

Assuming the correctness of Commissioner Raymond's estimate, it appears that about 69 per cent. of the gold and 25 per cent. of the silver product reached the Mint. Before the suspension of specie payments the proportion of the gold product deposited at the Mint was larger, being, previous to June 30, 1861, about 76 per cent.

Of all our immense product of the precious metals much the larger proportion has been exported. The total imports from June 30, 1848, to December 31, 1875, are reported at \$358,611,808, and the exports, foreign and domestic, at \$1,600,064,628, giving an excess of exports since June 30, 1848, of \$1,241,452,820. Deducting this sum from the production since 1848, amounting to \$1,576,431,619, we have a net increase of some \$335,000,000 in our stock of specie. If it be assumed that the consumption of the precious metals in the arts and manufactures amounted, on an average, to \$5,000,000 per annum, \$140,000,000 of this increase

\* The estimate of Mining Commissioner J. Ross Browne for 1866 was \$106,000,000, which was so manifestly too high that we have substituted that of Professor Raymond as given in his Report for 1869; this last having been since cut down to \$63,500,000.

† Including production of British Columbia and Mexico, which are credited with a product of \$2,118,833 in 1873, \$2,435,435 in 1874, and \$4,185,624 in 1875, in all \$8,739,892. On the other hand the bullion product of New Mexico, estimated at \$500,000 per annum or \$1,500,000 for the three years, is not included in Wells, Fargo & Co.'s estimate. Making these corrections, we have as the bullion product of the United States, on the basis of the last table, \$1,887,483,372, or \$311,085,176 more than in the first table. The fact that authorities differ so widely shows the difficulty of gaining accurate information on this subject. These last estimates are, probably, many of them too high—some extravagant; but they possess a certain interest as belonging to the history of the subject.

will have been thus disposed of during the twenty-eight years, leaving an addition of \$195,000,000 for coinage. The stock of specie in the United States June 30, 1848, was about \$84,000,000, so that if other causes tending to increase or decrease our metallic stock counteracted each other, the present amount, including the sums in circulation on the Pacific Slope, must be about \$279,000,000. There is in this calculation one element of uncertainty of considerable importance, namely, the unregistered export from the South during the war. The banks in the States embraced in the Southern Confederacy held on the 1st of January, 1861, about \$24,000,000 of specie, of which the banks of Louisiana held \$13,656,058; the bank-note circulation of these States was about \$50,000,000; and if they had a circulating medium as large in proportion to the number of free persons as the loyal States, some \$10,000,000 must have been circulating at the time in the hands of the public, or not quite \$2 per capita, against an average of about \$4 per capita for the whole country. But as Arkansas, Mississippi and Texas had little or no bank-note circulation, it seems more probable that the South had in proportion to the numbers of the free population as large a quantity of specie in general circulation as the North, which would give about \$20,000,000. It is probable, therefore, that the quantity of specie in the rebellious States, in 1861, was from 40 to 45 millions of dollars. What portion of this sum was exported before the suppression of the Rebellion it would be impossible to tell. It would not be surprising if it amounted to as much as \$30,000,000, including all the specie of the Southern banks, which would bring down our present metallic stock to \$249,000,000, and of this a considerable proportion must be hoarded. These hoards will serve a useful purpose in the resumption of specie payments, as they will then come forth from their hiding-places and once more resume their place in circulation. It is a favorable circumstance that the larger portion of our metallic stock consists of gold, the excess in the exports of silver since June 30, 1859, having been about \$190,000,000 out of a total production of \$245,251,114, leaving only about \$61,500,000 of silver for use in the arts and for coinage.

In order to keep more of our gold at home to prepare for the resumption of specie payments, it will be necessary for the Government to pursue a steady and judicious policy of hoarding. This will tend to make a vacuum in the open market, and the demand for specie to fill it will influence the exchanges, diminishing the exports and increasing the imports. This single cause will tend to produce a rise of the gold premium, but to some extent this tendency will be counteracted by the gradual improvement of the paper currency. We shall not have to bid so high for the gold wanted as if we had to depend upon foreign supplies. We should have to pay a higher price to attract gold from abroad than we shall to keep what is produced in the country. Some inconvenience will doubtless be experienced by merchants engaged in foreign

trade, for having to bid for gold against so heavy a buyer as the Government must be, if it is to accumulate the required reserve; but they will be amply repaid in the end if these efforts shall result in restoring the currency, and thus annihilating the gold premium entirely.

EVERETT.

---

### SAVINGS BANKS OF THE STATE OF NEW YORK.

The official reports of the Savings Banks of those States which have these institutions under the guardianship of law, have at no time been awaited with greater interest than just now. The effect upon the reserves of the community of so long continued a business depression, is a subject of careful consideration among thinking men. In this State the fact that several Savings Banks have failed during the year 1875, has further added to the solicitude with which the report of the Bank Superintendent, Mr. Ellis, has been looked for. As his full report is not yet ready to appear, we have compiled the following summary from the returns published in advance of the official document:

The Savings Banks of New York city held, on January 1, 1876, deposits to the amount of \$184,188,216, against \$180,010,703 January 1, 1875; \$86,574,343 January 1, 1867, and \$36,806,420 January 1, 1859. The number of open accounts was 468,652 January 1, 1876, against 307,193 in 1867, and 196,979 in 1860. The average deposit \$394.70, against \$286 in 1867. The increase in the deposits in the last nine years is about 114 per cent. The increase in the surplus in that time is 202 per cent.; in the aggregate resources 120 per cent.; in the number of accounts 52 per cent., and in the average to each depositor 38 per cent.

During the past year five Savings Banks have failed in New York city—the Central Park, German Uptown, Mutual Benefit, People's, and Third Avenue—with deposits amounting to about \$3,500,000. As a consequence of these failures and of the hard times, the number of depositors has declined 25,434, against an average annual increase of 16,500 for several years previous. The total of new deposits during the year was \$71,041,715, and this withdrawals \$75,086,606, showing an excess of withdrawals of \$4,044,881. Nearly one-half of the New York Banks show the balance against them. The excess of withdrawals is, however, more than counterbalanced by \$9,859,148 of interest credited. This diminution in the number of accounts, taken in connection with the increase in the aggregate of deposits, shows that it is principally the smaller deposits which have been withdrawn. Some probably have been taken out by reason of the alarm caused by the recent failures. In other cases the losses and want of employment resulting from the business depression have compelled a resort to the small savings accumulated in more prosperous times.

In Brooklyn the number of accounts has increased 3,389, nearly equal to the usual average increase; but the preponderance of large depositors is shown, by an increase of double the usual amount in the total deposits, and of the average deposit from \$326 in 1875 to \$350.25 January 1, 1876. Immediately after the panic the amount of the deposits was much more affected than the number of the depositors, the average deposit being at first reduced in both New York and Brooklyn. Now the movement has taken an opposite direction, indicating a greater diffusion of the effect of the crisis among persons of small means.

The total resources and liabilities, and the surplus of the savings institutions of each county in the State, are shown in the sub-joined table:

<i>Counties.</i>	<i>Resources.</i>	<i>Liabilities.</i>	<i>Surplus.</i>
Albany .....	\$12,432,208 41 ..	\$11,851,926 44 ..	\$580,281 97
Broome .....	1,053,941 49 ..	1,019,647 09 ..	34,294 40
Cayuga .....	2,774,402 22 ..	2,569,349 44 ..	205,052 78
Chautauqua .....	457 24 ..	356 21 ..	101 03
Chemung .....	93,126 13 ..	92,944 96 ..	181 17
Chenango .....	43,190 46 ..	42,880 45 ..	310 01
Clinton .....	83,023 77 ..	82,010 51 ..	1,013 26
Columbia .....	1,224,792 06 ..	1,119,222 71 ..	105,569 35
Cortland .....	120,004 75 ..	116,029 70 ..	3,975 05
Dutchess .....	5,664,087 16 ..	5,149,895 91 ..	514,191 25
Erie .....	19,374,081 25 ..	17,402,070 41 ..	1,972,010 84
Fulton .....	6,811 96 ..	6,799 10 ..	12 86
Greene .....	384,268 45 ..	360,098 19 ..	24,170 26
Jefferson .....	396,145 74 ..	380,007 14 ..	16,138 60
Kings .....	53,878,378 78 ..	48,495,938 18 ..	5,382,440 60
Madison .....	293,814 92 ..	282,031 20 ..	11,783 72
Monroe .....	13,963,573 12 ..	12,902,562 76 ..	1,061,010 36
New York .....	205,382,642 83 ..	184,712,586 79 ..	20,697,231 73
Niagara .....	532,581 90 ..	532,199 94 ..	381 96
Oneida .....	5,669,028 82 ..	5,145,243 71 ..	523,785 11
Onondaga .....	7,890,920 12 ..	7,228,046 50 ..	662,873 62
Orange .....	3,969,320 31 ..	3,563,873 51 ..	405,446 80
Oswego .....	763,447 57 ..	719,350 08 ..	44,097 49
Otsego .....	5,257 25 ..	5,169 14 ..	88 11
Putnam .....	132,710 87 ..	130,952 61 ..	1,758 26
Queens .....	947,901 08 ..	867,051 44 ..	80,849 64
Rensselaer .....	4,881,274 66 ..	4,267,662 69 ..	613,611 97
Richmond .....	268,911 27 ..	261,406 72 ..	7,504 55
Rockland .....	197,543 41 ..	195,049 85 ..	2,493 56
Saratoga .....	452,354 62 ..	449,920 28 ..	2,434 37
Schenectady .....	538,592 40 ..	479,654 78 ..	58,937 62
Seneca .....	55,929 56 ..	55,929 56 ..	.....
Steuben .....	342 20 ..	270 29 ..	71 91
Suffolk .....	1,433,824 08 ..	1,352,643 21 ..	81,180 87
Tompkins .....	246,210 70 ..	223,453 51 ..	22,757 19
Ulster .....	3,896,240 11 ..	3,689,832 13 ..	206,407 98
Westchester .....	4,712,190 78 ..	4,337,341 38 ..	374,849 40
Totals .....	\$353,763,532 45 ..	\$320,091,408 52 ..	\$33,699,299 62



## SAVINGS BANKS OF NEW YORK COUNTY.

	1875.	1874.	1873.
Bonds and mortgages.....	\$65,388,887	\$64,947,332	\$61,771,561
United States stocks.....	46,184,887	38,781,566	30,395,600
New York State stocks.....	5,534,709	5,863,869	7,289,421
Stocks of other States.....	8,667,235	8,491,928	9,951,555
Bonds of cities in this State.....	40,941,320	43,513,199	40,507,008
Bonds of counties in this State.....	5,228,017	4,305,200	5,995,200
Bonds of towns in this State.....	1,512,407	2,025,320	2,648,824
Other stocks or bonds.....	875,260	399,082	478,500
Stocks and bonds at cost.....	108,943,840	103,380,185	97,336,579
Stocks and bonds at par.....	105,675,990	101,591,280	96,366,108
Estimated market values.....	115,326,220	108,339,645	99,942,815
Amt. loaned on stocks, Sec. 27, C. 371, '75	3,516,954	2,479,308	4,164,307
Banking house at cost.....	3,977,741	5,059,229	4,310,690
Market value of real estate.....	4,738,837	.....	.....
Other real estate at cost.....	947,348	.....	.....
Cash on deposit in banks or Trust Cos....	9,439,246	11,435,521	8,402,796
Cash on hand.....	4,161,308	3,128,274	4,750,023
All other assets.....	9,040,133	4,905,246	3,678,822
Total resources.....	205,415,447	195,335,164	184,414,855
Amount due depositors.....	184,188,216	180,010,703	170,998,796
Other liabilities.....	539,509	265,162	389,459
Surplus.....	20,687,722	15,059,279	13,026,576
Total liabilities.....	184,727,725	108,275,865	171,388,255
Expenses.....	1,000,259	.....	.....
Amt. deposited, including int. cred. '75	80,900,863	86,506,502	91,540,649
Amount deposits withdrawn.....	75,086,606	77,541,298	90,715,320
Interest credited depositors.....	9,859,148	9,645,415	9,863,558
Open accounts.....	468,562	494,086	479,102

## SAVINGS BANKS OF KINGS COUNTY.

Bond and mortgages.....	17,558,199	16,280,047	15,832,038
United States stocks.....	8,917,800	7,459,789	5,865,000
New York State stocks.....	400,000	400,000	400,000
Stocks of other States.....	1,095,190	999,435	869,000
Bonds of cities in this State.....	15,158,919	14,963,867	15,063,998
Bonds of counties in this State.....	2,419,158	2,362,170	2,365,034
Bonds of towns and villages in this State	1,720,342	1,358,263	1,313,600
Other stocks and bonds.....	121,250	227,785	136,000
Stocks and bonds at cost.....	29,832,660	27,771,314	25,836,236
Stocks and bonds at par.....	29,596,087	27,834,789	26,012,632
Estimated market value.....	31,679,747	28,969,419	26,558,928
Amt. loaned on stocks, Sec. 27, C. 371, '75	693,700	265,635	536,646
Banking house and lot at cost.....	1,558,055	1,477,544	1,339,271
Market value real estate.....	1,307,133	.....	.....
Other real estate at cost.....	78,150	.....	.....
Cash on deposit in banks & Trust Cos..	1,211,758	1,028,150	1,127,839
Cash on hand.....	353,844	663,114	574,683
All other assets.....	2,592,009	1,513,439	1,525,003
Total resources.....	53,878,378	48,999,262	46,771,739
Amount due depositors.....	48,391,964	44,951,941	42,819,184
Other liabilities.....	103,973	20,050	152,786
Surplus.....	5,382,440	4,020,266	3,799,763
Total liabilities.....	48,495,870	44,971,991	42,971,970
Expenses.....	297,473	.....	.....
Total receipts.....	32,236,028	.....	.....
Amt. deposited, including int. cred. '75	22,304,632	23,327,107	25,807,936
Amount deposits withdrawn.....	18,864,618	21,192,883	25,953,825
Amount interest credited depositors....	2,557,361	2,356,059	2,304,153
Open accounts.....	138,132	134,743	129,747

The new Savings Bank law, which went into operation during the past year, subjects the trustees of Savings Banks to many wholesome restrictions. The "available fund" is reduced to 10 per cent., and its investment is limited to the first four classes of stocks mentioned in the accompanying table at 90 per cent. of their market value. The law also provides for more complete statements of the condition of the banks, and requires them to return all stocks and bonds, and the banking house and lot at cost price.

With regard to the failures of the past year, the Superintendent considers them due to the following causes:

I. The multiplicity of these institutions, many of them created for personal or political reasons. The competition between the banks has been so great as to lead to doubtful loans and investments in order to make large earnings, and thus attract deposits.

II. The clause in many of the old charters which permitted the trustees to lend the "available fund," so called, on any securities which they deemed satisfactory. It was in this way that the Third Avenue Savings Bank lost \$250,000 some years ago, which the trustees had put into a steamship line in which they were interested as individuals. This fund, moreover, was sometimes used in stock speculations. Investments in Southern State bonds, before and since the war, have, in some cases, crippled the banks. The disasters were, in some cases, due to excessive investments in banking houses. These are limited under the new law.

III. The treacherous condition of the finances, which at first inflated prices and then left them to collapse. This caused a great shrinkage in the value of the securities on which the banks had loaned their money, and not only disabled them from making their former profits, but in many cases wiped out their surplus.

Among the minor causes of disaster are dissensions among the trustees, a tendency to allow the management to fall into a few hands, giving an opportunity for a corrupt appropriation of the funds, and a scale of unwarranted expenditure. The new Savings Bank law aims to correct many of these abuses, and but for its influence the number of failures would probably have been greater.

The Superintendent recommends the establishment of a safety fund, from which any loss to depositors from the failure of a Savings Bank may be made good. Under the former State Bank system of New York there was a provision for a safety fund, by means of a tax of a quarter of one per cent. levied on the circulation of the banks, which was used to redeem its outstanding notes in case of the failure of a bank. There is also a like fund to protect the policy-holders of Insurance Companies. There are grave doubts as to the expediency of the safety-fund system as applied to the savings banks. If the system broke down in the case of the State Banks of New York, its failure to establish the solvency of those institutions ought to deter us from experimenting with it in the savings banks.

## A CENTURY OF FINANCE IN THE UNITED STATES.

BY J. S. GIBBONS.

*(Continued from February Number.)*

## FIFTH PERIOD—1836 to 1847.

TANEY, WOODBURY, EWING, FORWARD, SPENCER, BIBB, WALKER—*A revolution in finance—The work of Hamilton overturned by political demagogues—New plans of fiscal management fastened on the country by the Democratic party—Second suspension of specie payments in the United States—Extra session of Congress—Concoction of the scheme of the Independent Treasury—Its unpopularity, the consequent overthrow of the Democratic administration, and the repeal of the measure—The return of the Democratic party to power, and its final adoption—Resumption of specie payments.*

The removal of the deposits from the Bank of the United States (October, 1833) was not in itself an act of such direct and weighty moment as to materially disturb the general finances. The current average balance of those deposits in the Bank and all its branches for the ten years prior to 1828 did not exceed three million dollars; and no inconsiderable part of this sum was continuously *in transitu* between the places where it was collected, and those in which it was required for the public service. The great consequence of the measure was in its *meaning*, for the clear understanding of which a brief recapitulation of some leading events is necessary.

The first Congress, with Washington at its head and Alexander Hamilton in the Treasury Department, established the financial system, of which a National Bank was the main pillar and instrument. The Democratic party, led by Jefferson, opposed the establishment of the Bank, and it was only by the casting vote of Washington himself that the charter was saved.\* The institution proved a complete success. It established specie payments, gave character to the National credit in all the markets of Europe, and set the country forward in the path of commercial and industrial prosperity. But when the question of continuing its active, useful, and faultless career by the renewal of its charter came up in Congress, the Democratic party invoked the popular passions against it, and defeated it on purely political grounds, notwithstanding the impending war with Great Britain. The consequence was, the suspension of specie payments, the most frightful disorder and depression of the currency, bankruptcy in all branches of business,

\* When the bill was sent to the President for his approval, he requested the opinions of his constitutional advisers. The Attorney-General and the Secretary of State were opposed, and the Secretaries of War and the Treasury in favor of the measure. Washington gave his casting vote in its favor.

and general chaos in affairs. Such was the common distress, that party forgot its cunning, and the Congress of 1816 hastened to re-establish the Bank, whereby, in the short space of a few months, specie payments were restored, trade revived, the currency redeemed from discredit, and the country again set forward in the path of prosperity. But scarcely was this favorable condition reached, when the Democratic party reunited its forces, and renewed its former opposition to the Bank, although the charter was yet in the first quarter of its term. Thence succeeded a period of popular agitation, in which every thought of public economy was sunk in the rage of party strife. The *Bank war*, which had been long threatened, was at last opened by the removal of the deposits from the National institution; and this it was—the beginning of a *war on credit*—that spread distrust and apprehension through the country. The plan of administering the revenues, the work of Hamilton, was to be overturned and destroyed. Our system of National finance was to be pulled up by the roots. What other might be adopted in its stead, was to be left to partisan councils, animated by schemes of personal ambition, in which ideas of public good exerted little or no influence. There was hence a complete breaking away from the Revolutionary period, in which the inspiring sentiment of the people was an exalted patriotism, a sacrifice of all petty and selfish ends for the sake of the common good.

The section of the Bank charter in which Judge Taney found his authority for removing the deposits, provided that all the revenues of the Government should be deposited in "the said bank or branches thereof, unless the Secretary of the Treasury should otherwise order and direct;" and in case of such order, he was required to report to Congress "the reasons" therefor. The document in which he assigned these "reasons" was singularly wanting in truth and accuracy of statement. In fact it was nothing more than the special plea of a lawyer for an illegal and indefensible act of his client. The two grounds on which he attempted to justify his action were—that the deposits were unsafe in the bank, and that the bank "had used its means to obtain political power." As to the former, the House of Representatives, after a special examination by a committee of the affairs of the bank, declared, by a vote of 109 to 46, that the public funds might safely remain in its custody; and the three predecessors in office of Judge Taney had severally chosen to sacrifice their high and honorable position rather than submit to be the tool of what they conceived to be a violation, equally, of public duty, of law, and of justice. Concerning the use of its means by the bank, "to obtain political power," there was no evidence but its uniform liberal policy of loans to trade and commerce. Another example of the disregard of truth by the Secretary, was that "the bank had made the first application for the renewal of its charter *four years before its expiration*, and on the eve of an election for President," with the direct purpose of introducing it into the arena

of political controversy ; whereas the President had introduced the subject to Congress in his annual message of 1829, *seven* years before the expiration of the charter, and before the stockholders of the bank had taken any step in the matter. The voluminous debates in Congress on this subject amply establish the foregoing facts. No part of our legislative history is fraught with a degree of interest so vital to the economical welfare of the country.

In the period beginning with the date of Judge Taney's defense of the act of removing the deposits, and continuing to the end of Judge Woodbury's tenure of the Treasury Department, was laid the foundation of the controversy on banks, finance, and fiscal management, usually described as "popular"—a controversy which has been uninterruptedly maintained since as the ground of political divisions, without affording, to the present hour, a single demonstration of any governing law or principle applicable to the subject, and without yielding any fruit whatever, other than a chaotic conflict of popular passions, and a perpetual recurrence of fatalities to commerce, disorder in every branch of industry, alternate exuberance and prostration of credit, with every namable condition of financial anarchy and ruin! Never was a more thorough example of the blind leading the blind and both falling into the ditch together. Beyond all dispute, the department of the Government that called for the exercise of the highest practical abilities, joined with profound studies in political economy, was that of the Treasury. At the same time, since its administration equally affected all interests and every class of the people, it was the last that should ever be brought in the least degree under the influence of mere partisanship, the bane of all justice, and the source of incurable disaster.

Congress, finding the National Treasury full to overflowing, and not knowing how otherwise to dispose of the excess of revenue, passed the Act of Distribution June 23d, 1836, by which nearly forty million dollars of surplus funds were remitted to the several States. If excess of revenue is any evidence of National prosperity, the country was then in a highly flourishing condition. The National debt was paid off. The great fire of December, 1835, which destroyed a large part of the richest business section of New York, had caused only a momentary dismay. A new city rose upon the ruins while columns of smoke enveloped the builders. Creditors sympathized with their debtors, and gave liberal extension of their notes. The banks increased their loans, and the Government renewed the duty bonds of the merchants. Instead of a calamity having fallen on the city, it seemed as if a benefit had been conferred. The ground alone, so lately covered by stores gorged with rich merchandise, sold at public auction, as it lay under the still burning embers, for more than ground, stores and merchandise together would have commanded before the whirlwind of fire swept them down. Did not this look like a very solid kind of prosperity—or was it nothing more than a piece of bravado, comparable to the inhabitants of a city, while dying with thirst

hanging wet clothes upon their walls to deceive the enemy by whom they were besieged! It was in this state of things that the 24th Congress adjourned. In a few months it re-assembled, to find the country struggling in the agonies of commercial death. Trade and industry were everywhere prostrate. Between January and July, in 1837, near a thousand merchants failed in the city of New York alone. Secretary Guthrie wrote of this period:

"If the surplus revenue had existed in the form of *surplus specie* in the vaults of the banks, the measure of distribution would have been a wise one. But the surplus revenue never had any existence except in the form of inscriptions of credit on the books of the banks. These bank credits Congress ordered to be suddenly transferred from bank to bank and from place to place, without any regard to the laws of trade."—(*Finance Report*, 1854-5.)

To this mismanagement of the revenue by Congress, and the withdrawal of English credit from the American market, Mr. Guthrie attributed the suspension of specie payments, which took place in New York May 10th, 1837, and became general soon after.

"It became the duty of Secretary Taney to select certain of the local banks as depositories and fiscal agents of the Government. He advised Congress, under date of December 3d, 1833, that this had been done, and that the banks so employed were—

"All institutions of high character and undoubted strength, and under the control of persons of unquestioned probity and intelligence. And to insure the safety of the public money, each one of them was required to give security whenever the amount of the deposits should exceed the half of the amount of its capital actually paid in."

In a little over three years from the date of this confident assurance, every one of these institutions became legally insolvent. Neither their "undoubted strength," nor the "unquestioned probity" of the persons who controlled them, proved of any value whatever. They refused every kind of compromise proposed by Secretary Woodbury to make available for Treasury use the Government funds in their custody. The suspension of specie payments was, in fact, a great boon to them. They continued to use the revenues as the basis of their loans, without any fear of the daily drafts to which they were subject before the suspension. The Secretary was forced upon the expedient of issuing Treasury notes to meet the current expenses of the Government. Never before was the department reduced to such straits. "We are without any National debt to absorb and regulate surpluses," he reported to Congress, "or any adequate supply of banking institutions which provide a sound currency for general purposes, by paying specie on demand, or which are in a situation fully to command confidence for keeping, disbursing and transferring the public funds in a satisfactory manner."

To complete the confusion and mortification of the friends of the local bank system of agencies, those institutions which were

unquestionably sound, and with which the Government was willing to establish the relations that formerly subsisted with the Bank of the United States, now declined positively to become the recipients of its favors. They refused, on any terms, to receive the public revenues on deposit.

The Democratic party was overthrown in the elections of 1840, and Mr. Woodbury was superseded in the Treasury Department by Mr. Ewing, of Ohio; and he by Walter Forward, of Pennsylvania, who held the opinion that the only legitimate way of raising a revenue and maintaining the National credit was by a well-regulated and permanent tariff. In 1841 he caused the first series of comparative tariffs to be prepared; and obtained a synoptical tariff of fourteen nations—the first attempt of the kind either in Europe or America. From this original all our subsequent tariffs have been projected. Nothing can be more unstatesmanlike and chaotic than the “log rolling” plan which has generally prevailed in the United States. That there is a strictly just, natural and scientific law of tariff, is a sentiment too deeply implanted in the mind of every civilized nation to be easily obliterated. Mr. Forward was compelled to resign his office by bad health.

The Hon. John C. Spencer, of New York, was confirmed as Secretary of the Treasury in March, 1843, and was succeeded, in the following year, by George M. Bibb, of Kentucky, who gave place to Robert J. Walker, of Mississippi, in March, 1845. If not the author of the dogma that duties on foreign merchandise should be regulated on the rule of “highest revenue,” he was the first Secretary who persistently enforced it as a policy.

The failure of the deposit bank system of fiscal management opened the way for renewed efforts to establish an Independent Treasury. A bill for this purpose had passed the House of Representatives in 1834, by a vote of 111 to 87, but failed in the Senate. In the extra session of 1837 a bill of similar import passed the Senate, but was defeated in the House. Finally the measure passed both Houses in 1840, and received the signature of the President (Van Buren). The people, however, by this time had grown weary of the long controversy, and having experienced no other sensible result from the agitation of the subject than a continued embarrassment of trade and commerce, they overthrew the Democratic party in the elections of the following year, and the essential portions of the bill were repealed.

“Congress had not only repealed that law,” said Mr. Walker in his report, “but as a substitute had adopted the (then) present system of deposit banks, and prohibited changing any one of those for another bank, except for specified reasons.”

The administration of Mr. Walker was characterized by great activity in the several departments of the Treasury. He revived, and pushed with indefatigable energy, the plan of the *Independent Treasury*, which he announced in the following words:

“The only proper course for the Government is to keep its own money separate from all banks and bankers, in its own treas-

ury—whether in the mint, branch mints, or other Government agencies; and to use only gold and silver coin in all receipts and disbursements.”

Such was the prevailing distress in all parts of the country in the early part of 1837, that President Van Buren, who was elected the previous year, summoned an extra session of Congress September 4th., of which he stated the object in his message, as follows:

“To regulate by law the safe keeping, transfer and disbursement of the public moneys; to designate the funds to be received and paid by the Government; to enable the Treasury to meet promptly every demand upon it; to prescribe the terms of indulgence and the mode of settlement to be adopted, as well in collecting from individuals the revenue that has accrued, as in withdrawing it from former depositories; and to devise and adopt such further measures within the constitutional competency of Congress as will be best calculated to revive the enterprise, and to promote the prosperity of the country.”

The key-note of the President's message was “the divorce of the Government from banks.” The deposit banks had all failed; the currency was from 12 to 30 per cent. below specie; merchants had nothing but this depreciated medium with which to pay duties; business was everywhere prostrate. The President himself bore testimony to the wreck. “A system,” he said, “which can in a time of profound peace, when there is a large revenue laid by, thus suddenly prevent the application and the use of the money of the people in the manner and for the objects they have directed, cannot be wise; but who can think without painful reflection, that under it the same unforeseen events might have befallen us in the midst of a war, and taken from us at the moment when most wanted, the use of those very means which were treasured up to promote the National welfare, and guard our National rights?”

All the Government funds on hand at the time of the suspension of specie payments being made unavailable, Congress authorized the issue of Treasury notes to meet the disbursements, and these passing into circulation constituted the principal part of the medium in which the revenues were paid. By this expedient the Treasury was enabled to continue the discharge of all its obligations in specie or its equivalent. The Treasury notes bearing interest were maintained at par.

The banks of New York resumed specie payments in May, 1838, and resumption became general by the end of the year, though it was to some extent more nominal than real. The Philadelphia banks, which resumed in August, suspended again in October, with all the banks south and west of that city. In January, 1841, they resumed again, but were unable to maintain themselves longer than twenty days. The Legislature of Pennsylvania offered them the alternative of issuing “relief notes” in aid of the State finances. Under this coercion they finally resumed



in March, 1842, notwithstanding another commercial panic in that and the following year. The banks in the South and West also were coerced by public opinion, and made great reductions in their paper issues and credits.

On January 1, 1837, the bank circulation of the country, according to the Treasury reports, was \$149,000,000. By January 1, 1843, it was reduced to \$58,000,000. A ruinous fall of prices was the consequence, and wide-spread distress, attended by many failures. In the four years ending with 1842, the exports of specie exceeded the imports by \$8,500,000; but in the nine months ending June 30, 1843, the imports exceeded the exports by \$20,000,000. As the banks of New York and New England had paid specie regularly since 1838, they soon recovered from the effects of the revulsion of 1842-43. Those of the grain-growing States, from New Jersey to Missouri, did not fully recover till 1847, when the demand for breadstuffs in Europe gave a balance of specie in our favor of \$22,000,000. The banks in the South and West were not fully reestablished until some years later, when an extraordinary demand for cotton replenished their coffers.

On the 1st of January, 1847, went into operation *The Independent Treasury* plan of fiscal management, a plan marked by such fatalities in its operation as no other nation on the earth has ever experienced. To trace these will form the subject of the next financial period.

---

## A DESCRIPTION OF UNITED STATES BONDS.

In response to numerous inquiries we have prepared from authentic sources the following summary of the various descriptions of United States bonds now outstanding, taking them in the order of their appearance in the debt statements.

I. FIVES OF 1858.—These were issued under the Act of June 14, 1858, in denominations of \$1,000 for coupon, and \$5,000 for registered bonds. They bear date January 1, 1859, and became payable at any time after January 1, 1874, from which fact they are known in the market as "fives of 1874." They bear interest at five per cent., payable on the 1st of January and July each year in coin. This loan was issued to meet current expenses of the Government, and the amount authorized and issued was \$20,000,000, of which but \$260,000, all in registered bonds, remained outstanding March 1, 1876.

II. SIXES OF 1881, FIRST SERIES.—These were issued under the Act of February 8, 1861, authorizing the issue of \$25,000,000 in bonds to meet current expenses and redeem outstanding Treasury notes. Of this loan \$18,415,000 were issued, and remain outstanding in registered bonds of \$1,000, \$5,000, and \$10,000, and in coupon bonds of \$1,000 each. They are dated at various times in 1861, and are payable after December 31, 1880. They bear

interest at 6 per cent., payable semi-annually, on the 1st of January and July in coin.

III. OREGON WAR LOAN.—This was issued under the the Act of March 2, 1861, which authorized \$2,800,000 of bonds to re-imburse the Territories of Oregon and Washington for expenses incurred in suppressing Indian hostilities in the years 1855-56. Of the amount authorized \$1,090,850 were issued in denominations of \$50, \$100, and \$500, all coupon bonds. The amount outstanding March 1, 1876, was \$945,000. They are dated variously in 1861, and are redeemable July 1, 1881. The rate of interest is 6 per cent. in coin, payable in the case of the \$50 and \$100 bonds annually on the 1st of July, and in the case of the \$500 bonds semi-annually on the 1st of January and July. Unlike other coupon bonds, these are payable, not to the bearer, but to the order of the payee named in the bond, and only pass by assignment duly executed as in the case of registered bonds, so that there was no occasion for issuing any of the latter kind. The words "Oregon War Debt" are printed on their face.

IV. SIXES OF 1881, SECOND SERIES.—These were issued under the Acts of July 17, and August 5, 1861. The former Act authorized a loan of \$250,000,000, for which the Secretary of the Treasury might issue either coupon or registered bonds at not over 7 per cent. interest, redeemable at the pleasure of the United States after twenty years, or three year 7.30 Treasury notes of not less than \$50 each in such proportion as he should judge best, or demand notes without interest to an amount not exceeding \$50,000,000. The Act of August 5 authorized an issue of 6 per cent. bonds, redeemable after twenty years from date, in denominations of not less than \$500, in exchange for the 7.30 Treasury notes authorized by the preceding act. The bonds of this series are dated November 16, 1861, bear interest at 6 per cent. payable in coin on the 1st of January and July, and are redeemable after June 30, 1881. The registered bonds are in denominations of \$50, \$100, \$500, \$1,000, \$5,000, and \$10,000, and the coupon bonds in denominations of \$50, \$100, \$500, and \$1,000. Under the Act of July 17, \$50,000,000 were issued in bonds at 6 per cent., and \$140,094,750 in 7.30 Treasury notes, of which last \$139,321,350 were converted into the bonds authorized by the Act of August 5, making a total issue of \$189,321,350, all of which were outstanding March 1, 1876, in the proportion of \$126,015,700 registered, and \$63,305,650 coupon bonds. These bonds may be distinguished by the words "Loan of July and August, 1861," printed upon their face.

V. SIXES OF 1881, THIRD SERIES.—These were issued under the Act of March 3, 1863, which authorized the Secretary of the Treasury to borrow \$900,000,000. The Act of June 30, 1864, however, limited this issue of bonds to \$75,000,000 then advertised, which amount was outstanding March 1, 1876, \$53,702,150 in registered, and \$21,297,850 in coupon bonds. These bonds are dated June 15, 1864, bear interest at 6 per cent.

payable in coin on the 1st of January and July, and are redeemable after June 30, 1881. The principal as well as the interest of these bonds was made payable in coin by the law authorizing them. The registered bonds are in denominations of \$50, \$100, \$500, \$1,000, \$5,000, and \$10,000; coupon bonds of \$50, \$100, \$500, and \$1,000. They are distinguished by the words "Treasury Department, Act of March 3, 1863," printed upon their face. The Sixes of 1881, from the length of time they had to run, have been the most popular of the Government bonds, and have always commanded a higher price than others.

**VI. TEN-FORTIES.**—These were issued under the Act of March 3, 1864, which authorized \$200,000,000, payable, like the preceding, principal and interest in gold. They are dated March 1, 1864, bear interest at 5 per cent. payable on the 1st of March and September, except on bonds of \$50 and \$100, on which interest is payable annually March 1; became redeemable ten years from their date, or March 1, 1874, and are payable March 1, 1904, or forty years from their date. Their denominations are, for registered bonds, \$50, \$100, \$500, \$1,000, \$5,000, and \$10,000, and for coupon bonds, \$50, \$100, \$500, and \$1,000. The whole amount issued was \$196,117,300, of which \$141,706,550 registered and \$52,859,750 coupon bonds, in all \$194,566,300, were outstanding March 1, 1876. They are distinguished by the words "Five per cent. loan under Act of March 3, 1864," and "Redeemable after ten, payable forty years from date," printed upon their face.

**VII. FIVE-TWENTIES OF 1865.**—These were issued under the Act of March 3, 1865, which authorized the issue of \$600,000,000 of bonds or Treasury notes, the latter convertible into the former, in addition to amounts previously authorized; the bonds to be for not less than \$50, redeemable after five and payable in not exceeding forty years, with interest at not over 6 per cent. if in coin, or 7 3-10 per cent. if in currency. These bonds are dated November 1, 1865, bear 6 per cent. interest payable on the 1st of May and November, and were made redeemable in five and payable in twenty years from date. They were issued in denominations of \$50, \$100, \$500, \$1,000, \$5,000, and \$10,000 for registered, and \$50, \$100, \$500, and \$1,000 for coupon bonds. The whole amount issued was \$203,327,250, of which \$33,879,750 registered, and \$116,678,900 coupon bonds, in all \$150,558,650, remained outstanding March 1, 1876. A call for \$1,975,400 of these bonds matured February 15, and as they stand next in the order of redeemability, the next calls will probably be made on this issue until it is exhausted.

**VIII. CONSOLS OF 1865.**—These were issued under the Act of March 3, 1865, were dated July 1, 1865, bear interest at 6 per cent. payable on the 1st of January and July, and were made redeemable in five and payable in twenty years from date. They are in denominations of \$50, \$100, \$500, \$1,000, \$5,000, and \$10,000 for registered, and \$50, \$100, \$500, and \$1,000 for

coupon bonds. The whole amount issued was \$332,998,950, of which \$59,686,100 in registered, and \$142,977,000 in coupon bonds, in all \$202,663,100, were outstanding March 1, 1876.

IX. CONSOLS OF 1867.—These were issued under the Act of March 3, 1865, and the supplementary Act of April 12, 1866. They are dated July 1, 1867, bear interest at 6 per cent. payable on the 1st of January and July, and were made redeemable after five and payable in twenty years from date. The amount issued was \$379,616,050, in registered bonds of \$50, \$100, \$500, \$1,000, \$5,000, and \$10,000, and coupon bonds of \$50, \$100, \$500, and \$1,000. The amount of these bonds outstanding March 1, 1876, was \$310,622,750, of which \$90,204,950 was in registered, and \$220,417,800 in coupon bonds.

X. CONSOLS OF 1868.—These bonds were issued under the same Acts as the preceding. They are dated July 1, 1868, bear interest at 6 per cent. payable on the 1st of January and July, and were made redeemable in five and payable in twenty years. The amount issued was \$42,539,350, in registered bonds of \$50, \$100, \$500, \$1,000, \$5,000, and \$10,000, and coupon bonds of \$50, \$100, \$500, and \$1,000. The amount outstanding March 1, 1876, was \$37,473,800, of which \$14,690,000 was in registered, and \$22,783,800 in coupon bonds. The Consols of 1865, 1867, and 1868, are distinguished by the designation on their face of "Consolidated debt issued under Act of Congress approved March 3, 1865," and the words "In God is our trust." They derive their name from the fact that they were issued for the conversion and consolidation of certain outstanding obligations of the United States.

XI. THE NEW FIVES.—These were issued under Acts of July 14, 1870, and January 20, 1871. Only \$200,000,000 of 5 per cents. were originally authorized, principal and interest payable in coin of the present standard value. By the Act of January 20, 1871, the amount authorized was increased to \$500,000,000, on which the interest might, in the discretion of the Secretary of the Treasury, be made payable quarterly. These bonds are in denominations of \$50, \$100, \$500, \$1,000, \$5,000, and \$10,000 for registered, and \$50, \$100, \$500, and \$1,000 for coupon bonds. They bear 5 per cent. interest, payable quarterly in coin on the 1st of February, May, August and November, and are redeemable at the pleasure of the United States after May 1st, 1881. They are known in the official statements as the "Funded Loan of 1881." Subscriptions have been received for the whole amount of these bonds, and there were outstanding on the 1st of March, 1876, \$503,058,450, of which \$221,395,800 were registered, and \$281,662,650 coupon bonds. Though the Government has the right to redeem them after May 1, 1881, it is a right which is not very likely to be exercised. For practical purposes, therefore, they may be considered long bonds.

XII. CURRENCY SIXES.—These bonds were issued under Acts

of July 1, 1862, and July 2, 1864, in aid of the Pacific Railroad. They are all registered bonds of \$1,000, \$5,000, and \$10,000 each, dated January 16, 1865, and variously thereafter. They are payable thirty years from their date, bear interest at 6 per cent., payable in lawful money on the 1st of January and July. They were originally made a first lien on the roads to which they were issued, but by Act of July 2, 1864, they are made a second lien. The amount of these bonds outstanding March 1, 1876, was \$64,623,512. Owing to the length of time they had to run, these bonds command nearly as high a price as the Sixes of 1881.

These twelve issues comprise all the bonds not called now in the market. The loans of which the whole amount has been called, are the Five-Twenties of 1862 and 1864. The former were issued under the Act of February 25, 1862, and Acts supplementary thereto; are dated May 1, 1862, bear interest at 6 per cent., payable in coin on the 1st of May and November, and were made redeemable in five and payable in twenty years. The amount originally authorized was \$500,000,000. As the subscriptions amounted to \$11,000,000 more than this sum, this additional amount was authorized by the Act of March 3, 1864, and \$4,000,000 more were authorized by Act of June 28, 1865, making the amount authorized \$515,000,000, of which \$514,771,600 were issued in registered bonds of \$50, \$100, \$500, \$1,000, \$5,000, and \$10,000, and coupon bonds of \$50, \$100, \$500, and \$1,000. The call made July 28, 1875, for the last \$14,897,200 of them matured October 28, 1875.

The Five-Twenties of 1864 were issued under Acts of March 3, 1864, and June 30, 1864. Under the former Act \$3,882,500 were issued. These are made payable in coin, and the last call on them matured November 13, 1875. Under the latter Act \$125,561,300 were issued. The bonds under both Acts are dated November 1, 1864, bear interest at the rate of 6 per cent., payable in coin on the 1st of May and November, and became redeemable November 1, 1869. They are in denominations of \$50, \$100, \$500, \$1,000, \$5,000 and \$10,000 for registered, and \$50, \$100, \$500, and \$1,000 for coupon bonds. There were outstanding February 1st of the 1864's, \$11,705,050 registered, and \$14,070,950 coupon bonds. The calls on the June 1864's, which have matured since November 30, have amounted to \$48,809,950, and the last call for \$15,809,950, which matured February 15, exhausted the whole issue, and the Five-Twenties of 1862 and 1864, the entire issues of which amounted to \$644,215,400, now appear in the monthly debt statements only under the head of "Debt on which interest has ceased since maturity."

In addition to the 5 per cent. bonds, the Funding Act of July 14, 1870, authorized \$300,000,000 of  $4\frac{1}{2}$  and \$1,000,000,000 of 4 per cent. bonds, the former redeemable after fifteen, and the latter after thirty years, but in all other respects like the 5 per cent. bonds. It has not, however, been found practicable to dispose of bonds bearing a lower rate of interest than 5 per cent., unless

they are to run for a longer period than fifteen years for the  $4\frac{1}{2}$  per cents., and thirty years for the fours. To remedy this obstacle in the way of the negotiation of these bonds, a bill has passed the Senate to increase the amount of  $4\frac{1}{2}$  per cent. bonds that may be issued to \$500,000,000, and to extend the time for which they are to run to thirty years.

Previously to March, 1869, there was no law to compel the United States to pay the principal of any of its bonds in coin, except the 10-40's, the Sixes of 1881, 3d series, and the 5-20's of March, 1864, which by the terms of the Acts authorizing them were made so payable. To stop the mouths of repudiators, who desired to pay off the bonds in depreciated paper, and to remove doubts injurious to the credit of the Government, the very first act adopted after the inauguration of President Grant, dated March 18, 1869, and entitled, "An Act to strengthen the Public Credit," declared that "the faith of the United States is solemnly pledged to the payment, in coin or its equivalent, of all the obligations of the United States not bearing interest, known as United States Notes, and of all the interest-bearing obligations of the United States, except in cases where the law authorizing the issue of any such obligation has expressly provided that the same may be paid in lawful money, or other currency than gold and silver." This settles the question as to the principal of United States bonds not expressly made payable in paper currency. As regards the interest on these bonds, United States Notes have never been a legal tender for this, which, according to the Act of February 25, 1862, "shall be paid in coin."

An attempt has recently been made to re-open the question of paying United States bonds in greenbacks by repealing the above Act of March 18, 1869. This Act unquestionably had an important influence in improving the credit of the Government and in advancing the price of United States bonds. It opened the markets of Europe to our securities, and thus prepared the way for our funding operations, which can now be completed if the act is left undisturbed. To repeal it, would be likely to give such a blow to our credit as would arrest further progress in this direction. Every intelligent business man understands the economic value of an untarnished reputation for honesty and honor. Such a reputation is even more important for nations than for individuals, though, unfortunately, too many of our American politicians have so little moral sense as not to comprehend its importance for either. Happily, there is no danger that this mischievous scheme will receive any considerable support.

---

## THE ORGANIZATION OF SMALL BANKS.

A bill was introduced in the Senate in February by Mr. Ingalls, of Kansas, which proposed to allow National Banks to be organized with a capital as small as \$50,000 in any place, regardless of its population. In reporting adversely upon this bill, the Finance Committee of the Senate cite the following letter from the Comptroller of the Currency:

TREASURY DEPARTMENT,  
OFFICE OF COMPTROLLER OF THE CURRENCY, }  
WASHINGTON, February 24, 1876. }

SIR: I have the honor to acknowledge the receipt of your letter of the 1st instant, transmitting, for my views, Senate bill No. 75, which provides that section 5138, Revised Statutes United States, be so amended as to read as follows: "No association shall be organized under this title with a less capital than \$50,000." The section referred to, which it is proposed to amend, provides that banks with a capital of not less than \$50,000 may, with the approval of the Secretary of the Treasury, be organized in any place the population of which does not exceed 6,000 inhabitants; and that no association shall be organized in a city the population of which exceeds 50,000, with a less capital than \$200,000. The Act of February 25, 1863, which was superseded by the National Bank Act of June 3, 1864, provided that "the capital stock of National Banks shall not be less than \$50,000, and in cities whose population is over 10,000, the capital stock shall not be less than \$100,000."

The object of the proposed amendment would seem to be to authorize the organization of banks in cities and villages containing a greater population than 6,000 inhabitants, which are now supposed to be excluded from these privileges of the National Bank Act, namely, those authorizing the organization of banks with as small a capital as \$50,000 in places the population of which does not exceed 6,000. I find from the census returns of 1870 that the State of Ohio had at that time 20 cities and villages exceeding 6,000 inhabitants, and that Indiana had 12, Illinois 18, Michigan 10, Wisconsin 7, Iowa 8, Missouri 4, Minnesota 3, Kansas 3 and Nebraska 2. In all of these cities, with the single exception of Newburg, a suburb of Cleveland, there are at the present time National Banking Associations, having in each instance a capital exceeding \$100,000. In most of these cities and villages two or more National Banks exist under the provisions of the present act. It follows, therefore, that National Banks may be organized in all the cities and villages of the Western States with the exception of those enumerated with a capital of \$50,000, and it will be found upon an examination of the last annual report of this office that many banks having a capital of \$100,000 and upward have been organized in villages having a population of much less than 6,000. Experience has shown that in almost every instance where two or more banks have been organized in small towns, with a capital of \$50,000, they have been so organized for the purpose of providing positions for stockholders or friends of stockholders of the several organizations, and in numerous instances, after such organizations have been perfected, applications have been made to this office for the consolidation of two or more of them into one with a large capital, in order to save expenses; and it rarely happens that applications are made for the organization of banks of a less capital than \$100,000 in any of the larger towns of the country. The organization of numerous small institutions in the large cities has a tendency to weaken those already organized, and to so divide the business as to make them all more or less unprofitable to the shareholders. Very few applications are on file in this office for the organization of banks, which cannot be organized under the existing law.

I am of the opinion, therefore, that the passage of Mr. Ingalls' proposed amendment would be injurious rather than beneficial to the National Banking system.

I am, very respectfully,  
Hon. JOHN SHERMAN,

JNO. JAY KNOX,  
Comptroller.

*Chairman, Committee on Finance, United States Senate.*

## OUR PAPER MONEY CIRCULATION.

The following statement, which exhibits the amount of paper currency issued and outstanding on January 1, 1876; the amount held in the Treasury on January 25, 1876; the amount held by National Banks on December 17, 1875; and by the State banks and savings banks and trust companies, as nearly as can be ascertained from official sources, has been prepared by the Comptroller of the Currency. It appears by this statement that the amount of paper currency now in the hands of the people is \$532,061,165:

## PAPER MONEY ISSUED AND OUTSTANDING JANUARY 1, 1876.

Fractional currency.....	\$ 44,147,072
Old demand notes.....	69,642
Legal-tender notes.....	371,827,220
National Bank notes.....	346,479,756

Total..... \$ 762,523,690

Less—Cash in the Treasury, January 25, 1876—

Legal-tender notes.....\$ 77,359,441

Of which there was held for

U. S. certificates of deposit in the Nation's B's,

December 17, 1875..... 31,005,000—\$ 46,354,441

Fractional currency..... 8,755,655

National Bank notes..... 5,123,730—\$ 60,233,826

Less—Cash in the National Banks, December 17, 1875—

Legal-tender notes.....\$ 70,725,077

Fractional currency..... 2,901,023

U. S. certificates of deposit..... 31,005,000

National Bank notes..... 17,166,190—121,797,290

Less—Cash in other banks—

State banks..... 26,740,215

Savings banks..... 17,858,182

Trust companies..... 3,833,012— 48,431,409

Total amount to be deducted for cash in the Treasury and in banks.. 230,462,525

Leaving amount of paper currency in circulation .....\$ 532,061,165

## DEPOSITS AND CASH OF STATE AND SAVINGS BANKS, AND TRUST COMPANIES, FROM RETURNS, 1874-75.

	<i>Deposits.</i>	<i>Cash.</i>
State banks.....	\$ 165,871,439	\$ 26,740,215
Savings banks.....	849,581,633	17,858,182
Trust companies.....	85,025,371	3,833,012
Totals.....	\$ 1,100,478,443	\$ 48,431,409

In addition to the amount of cash given above, the State banks held \$1,156,456 of specie. The amount of specie held by the savings banks and the trust companies cannot be given, not being stated separately, but included with "cash" in their returns.

The proportion of cash to deposits held by these institutions is as follows:

By State banks, (including their specie).....	16 75-100 per cent.
By savings banks.....	2 10-100 "
By trust companies.....	4 51-100 "
And the proportion of cash to deposits of all is.....	4 40-100 "



The reserves of the savings banks and trust companies are chiefly held by the National Banks.

The proportion of paper currency to individual deposits held by National Banks is 19 35-100 per cent., and the proportion of paper currency and specie is 22 6-100 per cent.

The amount of specie held by National Banks December 17, 1875, the date of the last returns, was \$17,070,905.

### THE CASH IN THE TREASURY.

The following letter to the House of Representatives from the Secretary of the Treasury, transmitting statement of the balances in the Treasury at the close of business on the 25th of January, 1876, was, on February 23d, referred to the Committee of Ways and Means:

TREASURY DEPARTMENT,  
WASHINGTON, D. C., February 8, 1876. }

SIR: In reply to the resolution of the House of Representatives of January 31, 1876, requesting the Secretary of the Treasury to furnish a detailed statement showing the amount of actual cash on hand in the Treasury, several depositories, and mints of the United States at the close of business on the 25th day of January, 1876, I have the honor to inform you that there were held at that time at the offices mentioned cash assets as follows:

Minor coins.....	\$74,762 17
Fractional currency.....	8,755,655 44
National Bank Notes.....	5,123,730 41
Legal-tender notes held on special deposit for payment of:	
1. Certificates of deposit issued under sections 5193 and 5194 Revised Statutes United States	\$38,145,000 00
2. Redemption notes of National Banks failed..	907,756 95
3. Redemption notes of National Banks in liquidation .....	4,913,001 80
4. Redemption notes of National Banks for reducing circulation.....	15,784,998 00
Other legal-tender notes.....	59,750,756 75
Gold coin .....	17,608,684 26
Gold bullion.....	44,659,128 24
Silver coin .....	10,254,409 59
Silver bullion.....	11,202,258 60
Gold notes and certificates .....	4,146,932 67
Coupons .....	8,787,761 00
Called bonds and interest thereon.....	7,007,325 56
Checks, funded loan of 1881.....	11,311,695 65
Registered interest.....	63,543 68
Exchange drafts.....	582,508 50
One and two years' notes.....	350,500 00
Redeemed certificates.....	5,837 33
Vouchers—Speaker's certificates.....	70,000 00
Metal-fund in Mint, (currency).....	156,475 01
Unavailable: (see Finance Report, 1875, page 404.)	50,000 00
New Orleans.....	\$680,891 53
New York.....	87,206 70
Philadelphia.....	882 50
Washington, D. C.....	47,097 65
	<u>816,078 38</u>
In all.....	\$190,778,043 24

This amount does not include any moneys in transit, nor is the amount of Treasury drafts outstanding at that time taken into consideration.

In addition to this amount, there was also an amount of public moneys in National Bank depositories; but as returns thereof are made only at the close of each week, the amount of such moneys at the time mentioned in the resolution can be stated only by delaying this reply for a special report, from all the depository banks, of the public moneys on hand at that time.

At the close of business on the 22d ultimo, three days prior to the time mentioned in the resolution, the bank depositories held of such moneys \$10,140,611.61, which information it is thought will answer the purpose of the resolution.

As the legal-tender notes received for the redemption of National Bank notes do not belong to the United States, of course their amount is not in any way embraced in the monthly debt statement of this Department.

Very respectfully,

B. H. BRISTOW,

*Secretary.*

Hon. M. C. KERR,

*Speaker of the House of Representatives.*

## THE AMOUNT OF GOLD AVAILABLE FOR THE RESUMPTION OF SPECIE PAYMENTS.

A letter from the Secretary of the Treasury, in response to a resolution of February 15th, asking for a statement of actual amount of gold owned by the Government available for the resumption of specie payments, was, on February 28, referred to the Committee of Ways and Means of the House of Representatives:

TREASURY DEPARTMENT, February 24, 1876.

SIR: In reply to the resolution of the House of Representatives of the 15th instant, requesting that the Secretary of the Treasury report within ten days "the actual amount of gold owned by the Government, and available for the resumption of specie payments, after deducting the amount of gold-certificates now outstanding, accrued interest on Government bonds, and bonds called for the sinking-fund to this date," I have the honor to inform you that the reported coin-balance of the Treasury this day is..... \$91,987,028 17

From which should be deducted items as follows:

Coin coupons.....	\$1,547,462 06
Demand notes.....	10 00
Coin certificates.....	1,427,200 00
Sinking-fund and interest.....	1,873,825 50
Bonds redeemed and interest.....	13,832,553 65
Interest due and unpaid.....	9,254,634 50
Outstanding bonds called for sinking-fund.....	2,548,000 00
Outstanding coin certificates.....	33,968,300 00
Silver coin and bullion.....	14,193,618 70
	<hr/>
	78,645,604 41

Leaving the actual available gold coin owned by the Government \$13,341,423 76

Very respectfully,

B. H. BRISTOW,

*Secretary.*

Hon. M. C. KERR,

*Speaker of the House of Representatives.*

STOCK CONTRACTS.—It is held by a recent decision in the Philadelphia Court of Common Pleas, that under Pennsylvania law, if there be no actual or intended transfer of the property, a deal in shares on a margin is an invalid contract; but where there is a valid contract to buy and hold shares on deposit of a margin, the sale thereof without notice to the party subjects the broker to liability for damages.

## PUBLIC DEBT OF THE UNITED STATES.

*Recapitulation of the Official Statements (cents omitted).*

## DEBT BEARING INTEREST IN COIN.

	February 1, 1876.		March 1, 1876.
Bonds at six per cent. ....	\$1,012,721,850	..	\$984,999,650
Bonds at five per cent. ....	687,884,750	..	697,884,750
	<u>\$1,700,606,600</u>	..	<u>\$1,682,884,400</u>

## DEBT BEARING INTEREST IN LAWFUL MONEY.

Navy pension fund at 3 per cent. ....	\$14,000,000	..	\$14,000,000
Debt on which interest has ceased. ....	9,269,760	..	18,182,080

## DEBT BEARING NO INTEREST.

Old demand and legal-tender notes .....	\$371,341,607	..	\$371,011,844
Certificates of deposit .....	40,600,000	..	38,045,000
Fractional currency .....	45,864,382	..	45,120,132
Coin certificates .....	34,604,400	..	32,915,000
	<u>\$492,410,389</u>	..	<u>\$487,091,976</u>
Total debt .....	\$2,216,286,749	..	\$2,202,158,457
Interest .....	28,140,231	..	30,412,026
TOTAL DEBT, principal and interest. ....	<u>\$2,244,426,981</u>	..	<u>\$2,232,570,483</u>

## CASH IN THE TREASURY.

Coin. ....	\$73,601,361	..	\$70,035,772
Currency .....	11,992,580	..	9,529,404
Special deposit held for redemption of certificates of deposit, as provided by law..	40,600,000	..	38,045,000
	<u>\$126,193,941</u>	..	<u>\$117,610,176</u>
Debt, less cash in the Treasury, Feb. 1, '76	\$2,118,233,039	..	.....
Debt, less cash " " Mar. 1, '76		..	<u>\$2,114,960,306</u>
Decrease of debt during the past month..	\$1,599,155	..	\$3,272,733
Decrease of debt since June 30, 1875....	10,455,686	..	13,728,419

## BONDS ISSUED TO THE PACIFIC RAILWAY COMPANIES, INTEREST PAYABLE IN LAWFUL MONEY.

Principal outstanding .....	\$64,623,512	..	\$64,623,512
Interest accrued and not yet paid .....	323,117	..	646,235
Interest paid by the United States. ....	30,141,513	..	30,141,513
Interest repaid by transportation of mails, &c.	6,669,033	..	6,724,317
Balance of interest paid by the U. S..	<u>\$23,472,479</u>	..	<u>\$23,417,195</u>

## BANKING AND FINANCIAL ITEMS.

**FAILURE OF A LARGE BANK.**—On Tuesday, March 14th, it was announced just before noon, that the National Bank of the State of New York had been suspended from the Clearing-House, and had closed its doors. A period of intense excitement followed, but was allayed in a few hours, when the facts became known. The affairs of the bank had been investigated a few days previously by the National Bank Examiner, Mr. Meigs, and its capital of \$2,000,000 was found to be largely impaired by unsecured overdrafts and unsound loans. No steps being taken by the Directors towards remedying the deficiency, the condition of the bank was reported by Mr. Meigs to the Clearing-House Committee, who held a meeting, before which the officers of the bank were called. The result was its exclusion, and although the bank held over a million of dollars in its vaults, its doors were at once closed. On the following day a meeting of stockholders was held, the resignation of the Board of Directors was accepted, and a new Board chosen, viz.: Messrs. August Belmont, R. G. Rolston, G. F. Tallman, D. D. Withers, Lawrence Turnure, John R. Marshall, Daniel Drake Smith, Adrian Iselin and Henry Morgan. Mr. Belmont was elected President. At the present writing it is only known that the assets of the bank are ample to pay its depositors, and the progress of liquidation is going on very satisfactorily. A meeting of the stockholders is called for April 6th, by which time it will be decided whether the bank will be re-organized or wound up.

**FAILURE OF DANIEL DREW.**—A petition in voluntary bankruptcy was filed in the U. S. Court in this city, on March 11th, by this veteran stock speculator. The schedule shows liabilities \$1,093,524, of which \$295,492 are secured; and assets \$746,459. The value of the latter is as usual very uncertain.

Mr. Drew has for two or three years been seriously crippled by disastrous operations. He lost heavily in Chicago and Northwestern Railroad stock, in Toledo and Wabash, and in the Canada Southern Railway scheme, as well as by other adversities.

**THE LAW OF BANK CHECKS.**—David Risley brought suit against the Phenix Bank of this city to recover \$10,000 on a check drawn by the Greytown Bank, of North Carolina, during the war. The plaintiff, according to the story of his own counsel, presented himself to the bank with a check five years old. The bank officers verbally acknowledged the validity of the check, but called on the plaintiff to identify himself as its owner. Next day the money had been confiscated by the United States, and the bank refused payment. The plaintiff claimed that there had been a verbal acceptance of the check, but Judge Van Vorst ruled that an acceptance of a check, like the acceptance of a draft, must, to be valid, be in writing; and without such an acceptance the bank incurred no responsibility to the holder of the check, whatever might be to the drawer. The complaint was dismissed.

**ALABAMA.**—A bill has passed both Houses of the Alabama Legislature, ratifying the settlement of the State debt made by the Commissioners. All direct State bonds, except those in aid of railroads, are to be taken up and new ones issued. They are to bear interest from July next at two per cent. per annum for five years, four per cent. for ten years, and five per cent. for ten. All past-due interest coupons are to be given up and canceled. The bondholders of the Alabama and Chattanooga Railroad are to surrender the bonds issued by the State in aid of the road, and also those indorsed by the State; and are to take the road, its franchises and land, and to receive in addition \$1,000,000 of bonds, bearing the same interest as other new bonds. The remaining railroad bond matters are yet unadjusted. This settlement will bring the entire indebtedness of the State inside of \$10,000,000, at a low rate of interest.

**FRAUDS AND FELONIES.**—Milton D. Milton, Jr., late teller of the First National Bank at Westfield, Mass., is held on a charge of embezzlement and forgery of two drafts for \$8,350 and \$5,000 respectively, which he attempted to negotiate at St. Louis and Denver, getting \$200 at a bank in the latter place. The Westfield bank loses nothing.

Cashier Lansing of the Kern Valley Bank at Bakersfield, Cal., who pretended to have been attacked by burglars, has confessed having robbed the bank, and disclosed where the stolen funds were deposited, all of which were recovered.

John N. Pierce, formerly cashier of the Merchants' National Bank of Lowell, Mass., who was lately acquitted of embezzlement, has been arrested for forgery and larceny.

The Marine National Bank of this city has been defrauded to the amount of \$30,000, by a book-keeper, named Hedden, in collusion with a depositor, whose credits were increased by false entries in the books. Hedden has been in the bank about sixteen years; has borne an excellent character, and was regarded as above suspicion. He has disappeared. The bank will probably recover the loss from the depositor.

**THE LAW OF AGENCY.**—A bill of exchange drawn by Henry Clews & Co., on Clews, Habicht & Co., of London, was indorsed by the payees, "F. A. Hawley & Co., Agents." It was protested, and Hawley & Co. notified in due course. The Massachusetts Supreme Court now hold that Hawley & Co., by their indorsement as "agents," without naming a principal, bound themselves as indorsers on the bill.

**TOWN BONDS.**—A curious issue was decided on March 1st by the Federal Circuit Court at Springfield, Illinois. The town of Mount Zion issued bonds which were voted on the same day that the people of the State adopted a constitutional provision forbidding such issues. The Court decided that the issue was legal, so far as this point was concerned, because the Supreme Court of the State has decided that the constitutional provision took effect from and after the day of its confirmation by the popular vote.

**IOWA.**—Referring to a report telegraphed from Davenport, which was promptly contradicted, the Cashier of the Union Bank at Cedar Rapids thus writes to this office: "The statement as to the closing of this bank is a falsehood and a malicious lie. This bank never has been closed and never will be."

**DAYS OF GRACE IN LOUISIANA.**—The law of legal holidays in this State is peculiar in that it gives an *additional* day of grace when the third or last day falls on Sunday. The following is the text of the bill approved February 18, 1876:

An Act relative to the day of demand, payment and protest of promissory notes, bills of exchange and commercial paper maturing on holidays.

SECTION 1. Be it enacted by the Senate and House of Representatives of the State of Louisiana in General Assembly convened, That all promissory notes, bills of exchange and commercial paper, which by law or commercial usage are required to be protested for non-payment, shall be due and payable the day following the third or last day of grace, if the third or last day of grace be a Sunday or legal holiday; and should the day succeeding the last or third day of grace also be a Sunday or legal holiday, then such promissory notes, bills of exchange or commercial paper shall be payable on the following day not a Sunday or legal holiday. And in computing the delay allowed for giving notice of non-acceptance or non-payment of a bill of exchange or promissory note, or other commercial paper, the days of public rest or legal holidays shall not be counted; and if the day or two days next succeeding the protest for non-acceptance or non-payment shall be days of public rest or legal holidays, then the day next following shall be computed as the first day after the protest.

The following days are declared legal holidays: 1st of January, 8th of January, 12th of February, 22d of February, 4th of March, 4th of July, 25th of December, Shrove Tuesday, Good Friday and Sundays.

**MASSACHUSETTS.**—The Everett National Bank of Boston tenders its services to bankers having business in that city, in a card at the end of the present number. A prompt and painstaking correspondent is one to be appreciated.

**MISSOURI.**—The Attorney-General of this State decides that the discounted paper held by a bank is to be regarded as part of its capital stock. We annex his answer to a letter addressed to him by the City Attorney of Richmond in regard to the local taxation of banks and bankers:

CITY OF JEFFERSON, January 27, 1876.

R. A. BANNISTER, ESQ.—Dear Sir: Yours of the 24th received. Under section 35 of revenue law you will find that banks are assessed upon the value of their capital stock. In estimating this value, the Assessor must take into consideration all surplus funds, unpaid dividends and other profits. Discounts, being part of the assets of the bank, should be taken into account when estimating the value of the stock, and should not be separately assessed. They must be included in fixing the cash value of the stock. Private banks must be assessed upon the actual capital invested and the profits accruing from the business, as provided in latter clause of section 45, above referred to. Bank deposits should not be assessed to the banks, but to parties making the deposit. Yours truly,

J. A. HOCKADAY.

A correspondent, referring to this decision, asks: "What are careful bankers to do in Missouri? If they protect their depositors by a surplus, they are to be 'Hockadayed.' If they divide the surplus, they are to be called weak banks." Unfortunately, Missouri is not the only State in which bankers find themselves confronted by such a dilemma in the matter of taxation. It is to many a very serious question how to bear so heavy a burden as legislation now inflicts upon the business of banking.

**RESPONSIBILITY FOR ROBBERY.**—The suit of William A. Boyd *vs.* The Third National Bank of Baltimore, has been decided in favor of plaintiff by the Maryland Court of Appeals. The claim was for \$26,500 of bonds, left with the bank as collateral security, and stolen by burglars in August, 1872, when the vault of the bank was robbed of some \$200,000. The decision in this important case will be published in full in our next number.

**THE TOKEN COINAGE.**—The nickel one is no longer coined, and the two-cent bronze piece, which, by the way, was very convenient, was abolished by the Act of 1873. The fact that large quantities of two-cent bronze are in circulation misleads many business men. They may be sent to the Mint in this city for redemption, and when they are so sent they are sent to the melting pot. The bronze one-cent piece is also subject to redemption at the Mint, but unless mutilated or otherwise unfit for circulation, it is cleansed and re-issued. The same is the case when nickel coin of the denominations of three and five cents are forwarded for redemption. If in good condition, they are cleansed, carefully overlooked, and re-issued. The nickel one-cent piece goes to the melting pot when sent for redemption. It proved too clumsy.—*Philadelphia North American.*

**GENERAL JOHN J. KNOX.**—The death of this veteran bank officer, which is recorded at the end of this number, deserves more than a passing notice. From a sketch of his life in the columns of a contemporary, we take the following well deserved tribute to his character:

"General Knox was indeed not an ordinary man. To industry, sagacity, prudence, alertness of body and mind, and sound judgment, which he possessed in unusual degree, he added the higher qualities of constancy and fidelity to trusts, a simple, transparent integrity in thought and word and act, high moral convictions in respect to temperance, education, and benevolence, and best of all, an honest, unaffected piety in person and in his family. These are the preëminent things which need to be commended and transmitted in these times, when the true foundations of purity and of happiness are often despised, and therefore we commend his example."

**DEATHS OF PROMINENT BANKERS.**—The obituary records of the past few weeks contain an unusual number of well-known names, especially in Ohio and Indiana. Among them are the following:

**JOHN C. TALLMAN**, of Bridgeport, Cashier for eighteen years of the Belmont Branch of the State Bank of Ohio, and for the last twelve years, of its successor, the First National Bank of Bridgeport. He was also for many years a member of the Board of Control of the State Bank—a position allotted to the most sagacious of a body of able bank officers.

**JUDGE HOSEA WILLIAMS**, who died on February 12th at the ripe age of 84 years, was the oldest citizen of Delaware, Ohio, and one of its earliest settlers, having moved to that vicinity in 1817. A methodical business man, he was in all transactions the soul of honor and uprightness; and although described as "generous and lenient, not unfrequently sustaining loss rather than resort to harsh measures to secure his dues," he accumulated by sagacity and economy a handsome fortune. In 1845 Judge Williams was made President of the Delaware County Branch of the State Bank, and retained the position (the Bank having re-organized under the National system) until his death.

**ISAAC HARTER**, Senior, of Canton, was one of the most valued citizens of that enterprising town. He established, in 1854, the "Savings Deposit Bank" of Isaac Harter & Sons, and was in attendance there as usual the day before his death, which occurred on the morning of Sunday, February 28th, his age being sixty-five years. Mr. Harter is thus regarded by his neighbors: "As a business man, prompt, reliable, truthful. As a citizen, public-spirited and generous. For forty years or more, as merchant and banker, he had been prominent among the business men of Canton, and the confidence of the public in him never wavered, but rather increased, as he advanced in years."

**JASON EVANS**, of Cincinnati, who died on March 11th, in his sixty-ninth year, founded, in 1844, the firm of Evans & Swift, prominent for twenty years in that city. In 1858 he entered the banking business as the senior of the well-known house of Evans & Co., retiring only a year or two since. The Chamber of Commerce of Cincinnati placed upon its records a fitting memorial of Mr. Evans, whose high integrity and honorable dealing ennoble the legacy of his ample fortune.

**JUDGE JEHU T. ELLIOTT**, late of the Supreme Court of Indiana, and President of the First National Bank of New Castle, was highly respected in that community for his purity of character, sound knowledge of the law, and sterling common sense. Business was entirely suspended in the city at the time of his funeral, which was attended by large numbers from all parts of the county and State.

**TEXAS.**—The City Bank of Dallas has increased its capital to \$100,000. The officers are Wm. E. Hughes, President, and Thos. K. Fergusson, Cashier. Its last statement shows cash in vault and in hands of other banks and bankers, to an amount exceeding all its liabilities to depositors and others.

**CANADA.**—The Directors of the Bank of Montreal have elected to its presidency Mr. George Stephen, formerly Vice-President, in the place of Mr. David Torrance, deceased.

**HALIFAX.**—The seventh annual meeting of shareholders of the Merchants' Bank of Halifax was held on March 1st. The statement of the year's business showed net profits of \$96,656, or nearly eleven per cent. upon the capital. After payment of two dividends the rest was increased \$30,000, standing now at \$180,000, with a balance to be carried forward. The names of Directors elected will be found in their card at end of this number. The officers remain as before: Thomas E. Kenny, President; Hon. Jeremiah Northrup, Vice-President; and George Maclean, Cashier.

**THE CO-OPERATIVE CREDIT BANK** closed its doors immediately after the arrest (on January 21st) of its manager, Richard Banner Oakley, who was charged with defrauding depositors of nearly £40,000. The bank has, besides its head office in London, about sixty branches in the provinces and several on the Continent, and an establishment for publishing the "*Co-operative Financial Review*." The liabilities are about £50,000. Assets almost nil.

## CHANGES OF PRESIDENT AND CASHIER.

*(Monthly List; continued from March No., page 748.)*

## MARCH, 1876.

	<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
CAL...	First National Gold Bank, } San Francisco. }	R. C. Woolworth, <i>Pr.</i> } Geo. W. Rodman, <i>Cas.</i> }	G. F. Hooper. R. C. Woolworth.
CONN..	New Haven Co. N. B., N. Haven	James G. English, <i>Pr.</i>	.....
"	.. New London City Nat. Bank, } New London. }	Henry P. Haven, <i>Pr.</i> } R. N. Belden, <i>Cas.</i> }	R. N. Belden. E. R. Belden.
"	.. Merchants' Nat. Bank, Norwich.	John Brewster, <i>Pr.</i>	H. B. Tracy.
"	.. Pawcatuck National Bank.....	Peleg Clarke, Sen., <i>Pr.</i>	O. M. Stillman.
DEL...	Newport National Bank, Newport	David Eastburn, <i>Pr.</i>	F. Q. Flinn.
ILL...	Home National Bank, Chicago...	A. M. Billings, <i>Pr.</i>	A. L. Chetlain.
"	.... De Witt Co. Nat. Bank, Clinton.	J. T. Snell, <i>Pr.</i>	W. R. Carle.
"	.... Moline National Bank, Moline...	C. F. Hemenway, <i>Cas.</i>	C. W. Lobdell.
"	.... Rochelle National Bank, Rochelle	M. D. Hathaway, <i>Pr.</i>	F. Carey.
"	.... Farmers' Nat. Bank, Virginia....	J. T. Robertson, <i>Cas.</i>	J. H. Wood.
"	.... First National Bank, Rochelle...	Riley Paddock, <i>Pr.</i>	A. Bain.
IND...	First Nat. Bank, Cambridge City	H. H. Elwell, <i>Pr.</i>	J. Kepler.
"	.... " " " " " " " " " " " "	Daniel E. Doherty, <i>Pr.</i>	A. B. Smith.
"	.... " " " " " " " " " " " "	A. Stone, <i>Pr.</i>	T. Ward.
"	.... National Bank of Rising Sun....	Samuel Seward, <i>Pr.</i>	A. C. Downey.
"	.... First National Bank, New Castle	Wm. Murphey, Sen., <i>Pr.</i>	J. Elliott.
"	.... German National Bank, Goshen.	H. H. Hitchcock, <i>Pr.</i>	J. H. Defrees.
IOWA..	First National Bank, Belle Plaine	J. A. Durand, <i>Pr.</i>	D. W. Reed.
"	.. " " " " " " " " " " " "	Charles E. Putnam, <i>Pr.</i>	J. Thompson.
"	.. " " " " " " " " " " " "	Lloyd G. Gage, <i>Cas.</i>	D. C. Porter.
"	.. First National Bank, Maquoketa.	P. Mitchell, <i>Pr.</i>	O. V. Schrader.*
"	.. Muscatine Nat. Bank, Muscatine.	A. B. Brown, <i>Cas.</i>	F. L. Underwood.
"	.. National State Bank, Oskaloosa.	E. D. Lindly, <i>Cas.</i>	C. P. Searle.
"	.. Osage National Bank, Osage....	J. H. Brush, <i>Pr.</i>	J. P. Brush.
"	.. " " " " " " " " " " " "	J. P. Brush, <i>Cas.</i>	A. Brush.
KY....	First National Bank, Nicholasville	Samuel Muir, <i>Pr.</i>	G. S. Shanklin.
"	.... First National Bank, Springfield..	C. R. McElroy, <i>Cas.</i>	A. C. McElroy.
MAINE	First National Bank, Augusta....	J. H. Williams, <i>Pr.</i>	G. W. Stanley.
MD....	Nat. Exchange Bank, Baltimore.	J. P. Neer, <i>Cas.</i>	C. T. Boehm.
MASS..	Broadway Nat. Bank, Boston....	Axel Dearborn, <i>Pr.</i>	H. Souther.
"	.. " " " " " " " " " " " "	A. Adams, <i>Cas.</i>	H. H. White.
"	.. Blue Hill Nat. Bank, Boston....	Eleazer J. Bispham, <i>Pr.</i>	A. Churchill.
"	.. " " " " " " " " " " " "	Sarell J. Willis, <i>Cas.</i>	E. J. Bispham.
"	.. Suffolk " " " " " " " " " " " "	Samuel W. Swett, <i>Pr.</i>	H. A. Whitney.
"	.. Faneuil Hall " " " " " " " " " " " "	T. Greenleaf Hiler, <i>Cas.</i>	E. L. Tead.
"	.. National Market " " " " " " " " " " " "	F. G. Newhall, <i>Act. Cas.</i>	E. P. Wright.
"	.. First National Bank, Grafton....	George F. Slocomb, <i>Pr.</i>	J. Warren.*
"	.. Holliston Nat. Bank, Holliston...	Alden Leland, <i>Pr.</i>	W. S. Batchelder.*
"	.. Appleton National Bank, Lowell.	Josiah B. French, <i>Pr.</i>	J. A. Knowles.





	<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
TENN..	National Bank of Pulaski.....	George T. Riddle, <i>Cas.</i>	J. P. May.
"	Springfield National Bank, } Springfield. }	C. C. Bell, <i>Pr.</i> ..... Thomas Pepper, <i>Cas.</i> ...	T. Woodard. H. T. Stratton.
TEXAS.	First National Bank, Houston...	A. P. Root, <i>Cas.</i> .....	A. Wettermark.
"	Houston Savings Bank, " ...	Fred. A. Price, <i>Pr.</i> ....	not Rice.
Wis...	First National Bank, Baraboo...	R. M. Strong, <i>Cas.</i> ....	W. B. Rich.
"	" " " " La Crosse.	G. M. Wheeler, <i>Pr.</i> ...	W. A. Sutor.
CAN...	Bank of Montreal, Montreal.....	George Stephen, <i>Pr.</i> ...	D. Torrance.*

\* Deceased.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List; continued from March No., page 745.)

## MARCH, 1876.

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>N. Y. Correspondent and Cashier.</i>
COL ....	La Junta.....	Chick, Browne & Co.....	Hanover National Bank.
ILL ....	Rock Falls....	George W. Nance .....	Third National Bank.
IOWA ...	Dubuque .....	Second National Bank ....	
		William L. Bradley, <i>Pr.</i>	G. V. Smock, <i>Cas.</i>
"	Afton.....	First National Bank.....	First National Bank.
	\$ 50,000	J. T. Beebe, <i>Pr.</i>	O. E. Davis, <i>Cas.</i>
"	Fayette.....	Daniel Davis.....	Corbin Banking Co.
"	Fairfield.....	Wells & Garrettson.....	Kountze Brothers.
"	Osceola .....	H. C. Sigler.....	Tenth N. B.; Kountze Bros.
KY.....	Sharpsburgh..	Exchange Bank .....	Ninth National Bank.
		J. G. Allen, <i>Pr.</i>	F. S. Allen, <i>Cas.</i>
MICH ...	Fenton .....	J. Cranson's Bank.....	National Park Bank.
"	Ishpeming....	Bigelow, Rood & Wadsworth	American Exch. National Bank.
"	Laingsburgh..	W. H. Card.....	Imp. & Traders' National Bank.
MINN ...	Detroit .....	Bank of Detroit.....	George Opdyke & Co.
"	Glencoe.....	Bank of Glencoe.....	.....
MO.....	Keytesville....	Bank of Keytesville.....	Donnell, Lawson & Co.
N. Y....	Afton .....	E. M. Johnson & Co.....	National Broadway Bank.
"	Havana .....	Elbert P. Cook.....	Tradesmen's National Bank.
OHIO ...	Mechanicsb'g.	Farmers' National Bank... Richard D. Williams, <i>Pr.</i>	Imp. & Traders' National Bank. Thomas Davis, <i>Cas.</i>
"	London .....	Central Bank.....	Winslow, Lanier & Co.
PENN...	Bradford.....	Whitney, Wheeler & Co..	F. Prentice, 24 Pine.
CANADA	Aylmer.....	Daniel Stewart.....	.....

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

Authorized February 17 to March 22, 1876.

<i>No.</i>	<i>Name and Place.</i>	<i>President and Cashier.</i>	<i>Capital.</i>	
			<i>Authorized.</i>	<i>Paid.</i>
2325	Farmers' National Bank, Mechanicsburgh, OHIO.	Richard D. Williams..... Thomas Davis.	100,000	100,000
2326	First National Bank Afton, IOWA.	J. T. Beebe..... O. E. Davis.	50,000	.....
2327	Second National Bank Dubuque, IOWA.	William L. Bradley..... G. V. Smock.	100,000	50,000

## DISSOLVED, DISCONTINUED, OR CHANGED.

*(Monthly List; continued from March No., page 746.)*

- National Bank of the State of New York, *New York City*; suspended.
- ILL..... H. G. Habing, *Effingham*; suspended.
- "..... E. Brookfield, *Rock Falls*; deceased; succeeded by G. W. Nance.
- "..... J. M. Patterson & Co., *Rock Falls*; moved to Sterling.
- "..... First National Bank, *Paxton*; succeeded by Ford County Bank.
- IND..... Hartford City Bank, *Hartford City*; now owned by B. B. & Robt. Ransom.
- IOWA... L. L. Turner & Co., *Elk Falls*; moved to Sedan.
- "... Sperry & Davis, *Fayette*; succeeded by Daniel Davis.
- "... First National Bank, *Bloomfield*; suspended.
- MASS... Parker & Cobb, *Boston*; succeeded by Parker & Stackpole.
- MICH... J. L. Andrews, *Milford*.
- "... Ishpeming Bank, *Ishpeming*; succeeded by R. Nelson & Co.
- "... Randall, Graff & Darragh, *Grand Rapids*; suc. by Randall & Darragh.
- MINN... First National Bank, *Duluth*; suspended.
- MO..... Farmers & Traders' Savings Institution, *St. Louis*; in liquidation.
- "..... Guardian Savings Bank, *St. Louis*; closed.
- "..... West St. Louis Savings Bank, *St. Louis*; in liquidation.
- "..... Brownlee & Co., *Brookfield*; succeeded by W. H. Brownlee.
- N. Y.... Bank of Cazenovia, *Cazenovia*; closed.
- "..... Bank of Havana, *Havana*; succeeded by Elbert P. Cook.
- "..... Bank of Lima, *Lima*; now owned by George Thayer.
- "..... B. F. Jarvis, *Cazenovia*; suspended.
- "..... E. B. Parsons & Co., *De Ruyter*; suspended.
- OHIO... Iron National Bank, *Portsmouth*; succeeded by W. Kinney & Co.
- "... Union Bank, *Marietta*; closed.
- "... Farmers' Bank, *Mechanicsburg*; succeeded by Farmers' National Bank.
- PENN... Reynolds, Hukill & Co., *Oil City*; suc. by Reynolds, Lamberton & Co.

## THE PREMIUM ON GOLD AT NEW YORK,

FEBRUARY—MARCH, 1876.

1875.	Lowest.	Highest.	1876.	Lowest.	Highest.	1876.	Lowest.	Highest.
March ...	14½	17	Feb. 24 ..	13¾	14	Mar. 10 ..	14¾	14¾
April ....	14	15½	.. 25 ..	13¾	14½	.. 11 ..	14¾	14¾
May .....	15	16¾	.. 26 ..	13¾	14	.. 13 ..	14¾	14¾
June .....	16¼	17¾	.. 28 ..	13¾	14½	.. 14 ..	14¾	15
July .....	11¾	17¾	.. 29 ..	14	14½	.. 15 ..	14¾	14¾
August ..	12¾	14¾	.. Mar. 1 ..	14½	14¾	.. 16 ..	14¾	14¾
September	13¾	17½	.. 2 ..	14¾	14¾	.. 17 ..	14¾	14¾
October ..	14½	17¾	.. 3 ..	14¾	15	.. 18 ..	14¾	14¾
November	14½	16¾	.. 4 ..	14½	14¾	.. 20 ..	14½	14¾
December	12¾	15¼	.. 6 ..	14¾	14¾	.. 21 ..	13¾	14¾
1876.			.. 7 ..	14½	14¾	.. 22 ..	14½	14¾
January ..	12¾	13¼	.. 8 ..	14¾	14¾	.. 23 ..	14½	14¾
February.	12¾	14½	.. 9 ..	14½	14¾	.. 24 ..		

## NOTES ON THE MONEY MARKET.

NEW YORK, MARCH 22, 1876.

*Exchange on London at sixty days' sight, 4'86¼ a 4'87, in gold.*

The money market continues abundantly supplied with idle capital, and the terms for call loans are about the same as a month ago. Some efforts have been made to mark up the rates, but the effort was without any notable success. Two causes are cited as having to do with the monetary plethora: first, the growth of the sum of the accumulated capital of the country, which finds its way in the first place into bank, the deposits being swelled by the frugality and economy which prevail throughout the country; secondly, the stagnation of business, which closes up the usual outlets for the employment of capital. The reservoir being full, and the usual channels of drainage being blocked up and obstructed, the existing plethora of idle capital follows as a matter of course; and it must continue till trade revives and the channels are opened for the employment of the capital which now seeks employment and seeks it in vain. Subjoined is the statement of the New York Clearing-House Banks:

1876.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Exchanges.
Feb. 26....	\$268,480,000 ..	\$20,706,200 ..	\$49,013,100 ..	\$17,022,000 ..	\$224,337,400 ..	\$365,839,783
Mar. 6....	270,162,800 ..	22,701,600 ..	46,945,200 ..	16,882,500 ..	226,426,400 ..	458,072,743
" 11....	270,748,400 ..	23,139,800 ..	47,629,500 ..	16,697,700 ..	227,102,800 ..	396,983,425
" 18....	263,866,700 ..	22,369,400 ..	45,608,100 ..	16,483,300 ..	220,584,900 ..	446,604,086

It will be seen that the aggregate shows a very decided decline. This is due to several circumstances, but chiefly to the suspension, 14th March, of the National Bank of the State of New York. On the 21st, after one week's stoppage of business, the bank was opened for the payment of such depositors as had not agreed to wait a specified time before claiming their money. The amount of such deposits is not announced. Nor is the public informed whether there is any probability that the bank will be reorganized. Another point on which information is anxiously sought is, how much of the capital of two millions the bank has lost. The price bid for the stock is 30, and it has been offered at 35. The day before the suspension it sold at 106. There is some talk of litigation, and the Directors are said to have made themselves liable to civil and criminal proceedings, in consequence of their having sanctioned the lending to one person of more than one-tenth of the capital of the bank. As to the past mismanagement of the bank and its future prospects a multitude of other rumors are floating in Wall Street, which it is not needful to mention here, as they have no specific relation to the money market, or to any probable changes in the rate of interest in the immediate future. Subjoined is the table showing the changes of the banks of the Boston Clearing-House:

1876.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Feb. 26.....	\$130,699,000 ...	\$2,868,700 ...	\$6,147,600 ...	\$77,671,500 ...	\$24,364,100
Mar. 4.....	130,653,100 ...	3,056,300 ...	6,930,000 ...	77,986,900 ...	24,429,200
" 11.....	129,984,500 ...	3,275,900 ...	7,098,300 ...	77,897,200 ...	24,295,200
" 18.....	129,545,200 ...	3,141,600 ...	6,872,100 ...	78,216,700 ...	23,788,700

The Philadelphia Clearing-House statements are reported for several weeks past as follows:

1876.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Feb. 26.....	\$ 58,549,828 ...	\$ 738,462 ...	\$ 15,652,146 ...	\$ 48,033,577 ...	\$ 10,522,657
Mar. 6.....	59,487,654 ...	751,823 ...	15,103,756 ...	48,525,099 ...	10,547,256
" 11.....	59,525,208 ...	686,150 ...	14,952,689 ...	47,422,950 ...	10,527,287
" 18.....	60,035,277 ...	627,336 ...	14,656,900 ...	47,480,120 ...	10,499,383

The stock market is without many new features of interest. Governments are somewhat lower, in sympathy with gold, which has declined lately. Another reason for depression is the state of the foreign markets, which are somewhat disorganized. A large influx of 5-20's from abroad has been going on for some time past. The movement seems now, however, to have spent its force. Still the expected demand for our Government bonds from foreign markets is slow to make its appearance, and the slight panic yesterday in the London Stock Exchange is unfavorable to the hopes of an early revival of the foreign demand for our bonds. But although this seems to be true in the demand for Government bonds, it is less so in regard to our best railroad and municipal securities, for which a fair demand seems to exist abroad, as is proved by the success of several recent loans negotiated by various American railroad and other corporations. Railroad bonds close steady, without much activity. State stocks are dull. Bank shares are rather lower, but 2,250 shares of Bank of Commerce sold at 115 last Friday. Railroad shares are irregular and feverish. Subjoined are our usual quotations:

QUOTATIONS:	Feb. 23.	Mar. 1.	Mar. 8.	Mar. 15.	Mar. 22.
Gold.....	114 ..	114½ ..	114½ ..	114½ ..	114½ ..
U. S. 5-20s, 1867 Coup.	121½ ..	121½ ..	121½ ..	121½ ..	121½ ..
U. S. Fives 1881 Coup.	118½ ..	118½ ..	118½ ..	118½ ..	118½ ..
N. Y. C. & Hudson R.	115½ ..	115½ ..	116 ..	114½ ..	113½ ..
Lake Shore.....	64½ ..	60½ ..	64½ ..	64½ ..	63½ ..
Chicago & Rock Island	110½ ..	110 ..	110½ ..	110½ ..	110½ ..
New Jersey Central...	107½ ..	106½ ..	106½ ..	106½ ..	107 ..
Erie.....	17½ ..	18½ ..	17½ ..	20½ ..	21½ ..
Pacific Mail.....	31½ ..	26½ ..	22½ ..	23½ ..	21½ ..
Union Pacific.....	68½ ..	66 ..	68½ ..	65½ ..	62½ ..
North Western.....	43 ..	42 ..	43½ ..	43½ ..	43 ..
West. Union Tel. Co..	72½ ..	69½ ..	68½ ..	67½ ..	68½ ..
Bills on London.....	4.86-4.90 ..	4.86-4.90 ..	4.85½-4.90 ..	4.86-4.89½ ..	4.86½-4.90½
Call loans .....	344 ..	343½ ..	344 ..	547½ ..	3½44
Discounts.....	547 ..	547 ..	547 ..	647 ..	4½46
Treasury balances, cur.	\$ 37,285,981 ..	\$ 36,865,065 ..	\$ 35,581,436 ..	\$ 35,176,393 ..	\$ 36,010,092
Do. do. gold	46,501,797 ..	46,712,186 ..	43,771,296 ..	44,857,989 ..	46,014,024

The premium on gold closes with a drooping tendency. But the decline does not seem disposed to go much farther, in view of the difficulties in the London Stock Exchange. Still, the causes of that trouble are so little understood here, that not much reliance can be placed on inferences based upon it. Gold is plentiful for delivery, and the holders have to pay 2 to 3 per cent. to have it carried. The silver market is somewhat irregular, in consequence, partly, of the agitation about the issue of silver coin, and partly of the decline in Europe, where no very decided indications of recovery are at present visible. The London *Times* says: "The opinion is gaining ground that Germany is pressing down the value of silver persistently, even where there are no buyers and no sales can be effected, in order to compel the other Powers of Europe to arrange an International Convention for the temporary absorption of surplus stocks." And the *Times* appears to attach some credibility to this view, for it goes so far as to suggest how the Bank of England might co-operate in an attempt to lock up silver, by reminding its readers that,

according to the Bank Act of 1844, the Bank has the right to hold one-fourth of the coin and bullion reserve against its notes in the form of silver. In the present state of the Bank reserves this suggestion is not very likely to be adopted. If the Bank of England and the other banks held a much larger amount of gold than at present, public opinion would not sanction their keeping any considerable sum of their cash reserves in a metal so fluctuating and unstable in value as silver. The disinclination in Europe against using silver as a standard of value is augmenting. In a few years it would appear as if silver coin will gradually be less and less used in Europe, even among those nations which belong to what is called the "Latin Convention," to use silver and gold as a double standard. At the session of the Monetary Convention recently held at Paris, it was determined that the silver coinage for France, Italy, Belgium, and Switzerland, which had been increased from 120 millions of francs in 1874 to 150 millions in 1875, shall be reduced to 108 millions for 1876. While still refusing to surrender the principle of the double standard, the Convention still reduced it to narrower limits. The share of France in the silver legal-tender coinage in 1876 is reduced from 75 millions last year to 54 this; that of Italy from 50 to 36; that of Belgium from 15 millions to 10,800,000f; and that of Switzerland from 10 millions to 7,200,000f. Greece is to be allowed to issue 3,600,000f of new silver five-franc pieces, and to coin 8,400,000f to replace a like sum at present in circulation not of the standard of fineness adopted by the Convention. Unless the allowance for France in 1877 is enlarged at the meeting of the Convention in January, 1877, the limit for the two years will be 81 millions of francs.

It is said, that already the deposits of silver by bullion dealers at the Paris Mint for coinage amounts to 75 millions; and when the small balance is made up no more silver bullion can be received at the French Mint this year. According to Paris advices, the profit on converting bullion into five-franc pieces is now so great that there is a possibility of the country being flooded with coin manufactured abroad of the proper standard, and which it would be difficult to distinguish from the real. The delegates appear to have been anxious to avert this danger, for a clause has been inserted in the Convention, drawn up this year, by which the Governments engage to inform each other of any counterfeit production of their money in other countries, whether belonging to the monetary union or not. The difference between the current and the intrinsic value of silver coins ranges at  $22\frac{1}{2}$  to 25 per cent. in England and 11 to 13 per cent. in France and Belgium. There is a little demand for coinage for Spain. But with this exception silver is not being coined in Europe to any large extent, and the result of the efforts of Germany to establish an exclusive gold standard, shows that the task is less easy than she had supposed of controlling the supply of gold necessary for her banking and circulation purposes. Instead of accomplishing her purpose, Germany has created a glut of silver in all the markets of the world, through disposing of her discarded coin. The consequent depreciation of silver has excited prejudice elsewhere against that metal for coinage, and has done more in a few months to strengthen the disposition to adopt the single gold standard than had been previously accomplished in several years. In view of these facts, our own Government, as is very natural, has still deferred the project of putting out the silver coin and of calling in the fractional currency. The present is obviously no time for the change, and if it be attempted and fail, the injury it will do to the general movements of business in the sensitive condition of the public mind, should manifestly inspire Congress with a salutary caution.

A meeting of the bank Presidents of this city was held at the Clearing-House on March 11, to hear the report of the special committee on taxation of banks, and the opinion of counsel on the question. The committee was continued in office to consider the subject further, and report at a future meeting to be called by the chairman.

The total outstanding circulation of the National Banks, with the amount of bonds deposited in Washington, compare as follows:

<i>Week ending</i>	<i>Notes in circulation.</i>	<i>Bonds for circulation.</i>	<i>Bonds for U. S. deposits.</i>	<i>Total bonds.</i>	<i>Coin in Treasury.</i>	<i>Coin Certificates.</i>
May 22...	\$350,012,329	\$379,186,900	\$15,967,200	\$395,154,100	\$92,551,522	\$20,119,800
June 12....	349,257,859	378,176,400	15,942,200	394,118,600	83,608,659	19,248,300
June 26....	349,462,839	376,585,600	15,817,200	392,402,800	69,945,673	18,489,700
July 10....	349,735,164	375,333,000	15,792,200	391,125,200	69,608,526	23,673,800
July 24....	350,764,469	374,753,362	18,792,200	393,545,562	66,926,937	22,628,300
Aug. 7....	348,937,939	374,927,862	18,792,200	393,720,062	71,953,412	22,657,200
Aug. 21....	349,130,000	374,788,762	18,792,200	393,580,962	70,738,807	18,561,000
Sept. 11....	347,980,000	373,382,762	18,792,200	392,174,962	66,730,316	16,389,400
Sept. 25....	347,720,223	372,150,762	18,792,200	390,942,962	66,924,152	12,435,000
Oct. 9....	346,769,853	369,797,762	18,782,200	388,573,962	68,784,332	12,477,100
Oct. 16....	346,813,776	368,857,212	18,782,200	387,639,412	70,472,506	12,775,600
Oct. 23....	344,458,128	368,119,917	18,760,000	386,879,917	69,070,408	11,562,300
Oct. 30....	346,805,616	367,799,412	18,730,000	386,529,412	.....	.....
Nov. 6....	345,799,108	366,658,312	18,730,000	385,388,312	72,042,514	16,069,900
Dec. 18....	343,938,278	364,690,112	18,626,500	383,316,612	69,206,263	21,447,000
Jan. 22....	343,253,577	362,108,062	18,626,500	380,734,562	73,200,709	34,429,000
Feb. 19....	341,557,911	358,428,650	18,621,500	376,050,150	75,051,625	33,786,900
Mar. 11....	340,046,776	355,311,715	18,741,500	374,053,215	69,657,203	34,797,600

The reduction of the active circulation under the laws of January, 1875, and June, 1874, is attracting considerable comment. As we stated last month, the gross decrease amounts to 50 millions, and if from that sum we deduct the release of greenbacks formerly held against circulation, the net reduction of the active currency might be reduced to some 20 millions, though the actual contraction is much greater.

## DEATHS.

At KNOXBORO, N. Y., on Monday, January 31, in the eighty-fifth year of his age, General JOHN J. KNOX, President of the Bank of Vernon, N. Y., from the date of its organization to June, 1865, and of the National Bank of Vernon for seven years thereafter. General Knox was the father of the present Comptroller of the Currency.

At LEBANON, PA., on Friday, February 11, aged seventy-seven years, JOHN GEORGE, President of the Valley National Bank.

At DELAWARE, OHIO, on Saturday, February 12, aged eighty-three years, Judge HOSEA WILLIAMS, President since 1845 of the Delaware County Branch of the State Bank of Ohio, and of its successor, the Delaware County National Bank.

At NEWCASTLE, IND., on Tuesday, February 12, aged sixty-three years, Judge JEHU T. ELLIOTT, President of the First National Bank of Newcastle.

At LUXOR, EGYPT, on Sunday, February 13, aged sixty years, BLAKELEY WILSON, President of the Second National Bank of Jersey City, N. J.

At HILLSBOROUGH, OHIO, on Sunday, November 21, 1875, aged thirty-four years, BURCH FORAKER, Cashier of the Citizens' National Bank.

At CAMBRIDGE, MASS., on Tuesday, February 29, aged sixty-six years, EDWARD RICHARDSON, Cashier of the National City Bank of Cambridgeport.

At BRIDGEPORT, OHIO, on Monday, March 6, aged sixty-four years, JOHN C. TALLMAN, Cashier of the First National Bank of Bridgeport, and of its predecessor, the Belmont Branch of the State Bank of Ohio, since 1847.

At CHARLOTTETOWN, P. E. I., on Wednesday, March 8, aged eighty years, Hon. DANIEL BRENNAN, President of the Bank of Prince Edward Island.

THE  
BANKER'S MAGAZINE,  
AND  
Statistical Register.

---

VOLUME X, }  
THIRD SERIES. }

MAY, 1876.

No. II.

---

THE MONETARY EASE AND THE BANKS.

The reduction of the Bank of England rate of discount to two per cent. a few days ago, illustrates the general fact which has been so much investigated of late, that there is at present throughout the commercial world an unusual plethora of idle capital, which, though it shrinks from permanent investments, is eagerly seeking investment at short dates or on call. Another fact which always attends such a plethora either as its cause or its result, or both, is a defective energy in the productive forces of society, causing what is commonly called a stagnation of trade. Thus, while the loan market is overcharged with idle funds, and is like a reservoir gorged to its utmost capacity, the ordinary channels are, some of them, blocked up, by which the reservoir usually empties itself, and irrigates the fields of commercial and industrial enterprise. All over the world we see in less or more conspicuous prominence these two morbid symptoms of commercial depression. The money market is too full of floating capital, and the channels of trade show too much of inactivity and stagnation. In England, in 1867, after the Overend panic had prostrated financial and commercial enterprise, the Bank of England, for the first time in its history, lent money for a protracted period at 2 per cent.; and so extraordinary was this rate of discount supposed to be, that the *Edinburgh Review* discussed it in an elaborate article as an exceptional phenomenon, not likely to be repeated. Since that time, this exceptional rate has occurred so often that it now produces no surprise, and it is only discussed in connection with some of its indications, or for the help it may give us in forecasting the future. Nor is this



surprising. The business of anticipating the future movement of the money market, of the Stock Exchange, and of the several departments of commerce, is in our day so difficult, and it employs so large a proportion of the most shrewd, keen, enterprising men, that almost everything which takes place in the monetary, political, or industrial circles of society is immediately transmuted into economic force, and lessens or augments the activity of the productive mechanism of society. The more skillful a man is in reading the signs of coming financial storms, or commercial depression, or industrial prosperity, the more of success, other things being equal, and the more of honor and prosperity, will he realize among his fellow-citizens. We shall mistake altogether the nature and the probable growth of the changes which are now going on in the Banking system, unless we take notice of the great tidal movement of monetary plethora which is now at its height in this country and throughout the whole world. A careful examination of the facts will show that we are suffering from causes which are producing like suffering in other countries. It is true that to these general sources of evil our financial system has added many local auxiliaries which increase the mischief. Another point to be borne in mind is, that the tidal movement of plethora which inundates the money market is now probably at its highest level, if, indeed, it have not already begun to recede. Some capitalists are becoming discouraged at the prospects of the Banking business, and they are winding up, or selling out, or curtailing their transactions. Now, we have no wish to discourage any prudent man who finds himself out of his depth, from getting back as soon as he can to the solid ground of assured solvency. What we have to say is intended for men of means, skill, and experience in the Banking business, who know that of late it has been almost impossible to make living profits by legitimate transactions; and as they will condescend to no other, they are threatening to go out of the business altogether, and thus to withdraw their talents from the service of their country, and from that field of labor which they best understand and are most efficient in. To such men there is much to suggest; but one word must suffice for the present. The tide of monetary plethora, which makes it so difficult for banks to earn anything, is but temporary. In a great country like ours, the Banking business ever has been, and will be, both profitable and honorable to safe, skillful men. If the tide of easy money has not already turned, it certainly will soon begin to recede, and some of our most shrewd observers think they can see indications of recuperation in the near future. In any case, we may be well assured that, as a nation, we have unsurpassed resources, which are now being economized with an energy that of late years has been unknown. In view of these facts, it is impossible to doubt that we shall feel the benefits looked for as soon as any of the other commercial nations who are suffering like ourselves. Meanwhile, it is gratifying to find that this sanguine

view of the future of the Banking business in this country is shared by the community. We find abundant evidence, some of which is detailed elsewhere, that although a few banks and bankers that can be ill spared are retiring from business, new institutions are springing up, so that the aggregate number of the banks in the United States is larger now than it has ever been before.

To sum up our argument: we hold that the existing plethora of the money market must tend sooner or later to cure itself; that the rate of interest must consequently rise; that the change seems unlikely to be long deferred; that it will probably develop itself as soon in this country as abroad, and that all the reasoning about the future founded upon an opposite theory is so far unsound. Of course we shall be asked how far the local perturbations of the money market spoken of above, and the changes incident to the resumption of coin payments, are likely to influence the prospects of banking in this country. This question is extremely important, but it is not properly included in that we have been investigating. It is besides too broad in its scope and too complex in its details to admit of a brief discussion, even if our space had permitted the attempt. All that needs to be said here is, that while the peculiar sensitiveness of our money markets and the transition of the financial system to the gold basis, will require of both our bankers and all other classes of the community the utmost circumspection and conservative foresight, there is no obvious ground for believing that the former class will be of necessity exposed to the most danger or to the heaviest risks.

---

## OUR BANKS AND THEIR FISCAL BURDENS.

BY DR. GEORGE MARSLAND.

Mr. Justice Miller, in the Supreme Court of the United States a few days ago, said that a tax law often turns out to be something else as well. It not only acts as a fiscal measure to bring revenue into the Treasury of the Government, but it operates in various ways upon the rights of property or the growth of productive industry. It is indeed a fundamental principle of fiscal science, that, in deciding what forms of taxation are to be preferred, we should always look to the ulterior and indirect effects which they work while they are yielding a revenue to the Government. The fiscal parts of Adam Smith's great work abound in illustrations of this great central principle of the science of taxation. In our own revenue system it had been well if this principle had been more regarded, as almost every day's experience abundantly shows. The latest fiscal science in this country has not made much progress on that side which concerns bank taxation. One of the most recent controversies relative to this subject was referred to in our number for February (page 589), on the taxing of surplus. This contro-

versy is not concluded. A second report has been prepared by the committee of the banks of this city, to secure relief from the new taxation lately assessed upon their surplus. The committee consists of Messrs. George S. Coe, John E. Williams, F. D. Tappen, B. B. Sherman, C. M. Jordan, J. D. Vermilye, J. M. Morrison, and W. L. Jenkins. These eight bank officers have been to Albany, and, after consultation with eminent legal advisers, they have determined on adopting vigorous measures for relieving the banks from the pressure of the new taxes which have for the first time been this year imposed upon their surplus. What the banks desire is that their shares shall be assessed at an equitable valuation, like other personal property. The committee do not wish to exempt the shareholders in the slightest degree from their fair proportion of State taxation. What is claimed is, that the owners of bank shares shall be protected from oppressive and inequitable burdens. Accordingly bank shares, when assessed by the tax officers, "should not be valued otherwise than ordinary real and personal estate, and should not be assessed at more than their par value, except where the surplus exceeds 50 per cent. of the capital, when the valuation should be increased by the amount of such excess." The justice and fairness of this principle of assessment are too obvious to need proof. It is for the public interest that the banks should have a large surplus as a guarantee of their solvency. To tax the surplus of the banks is to discourage its accumulation, and tends directly to induce the banks to divide the surplus amongst their shareholders. Is it not evident that such a destruction of the surplus removes one of the strongest buttresses of the banking fabric, and inflicts a great public injury upon the financial strength of the country? If so, it is the part of wisdom to exempt the surplus as far as possible from taxation, and the report before us is very moderate in its claims.

With a view to illustrate the equitable character of the relief demanded by the banks, it may be well to remember that these institutions are already weighed down by heavy fiscal burdens. Upon the organization of the National banks by Congress in 1863, they were subjected to the following taxes by the General Government, viz.: one-half per cent. upon their capital, less the amount invested in Government bonds; one-half per cent. upon deposits; one per cent. upon circulation. There was also a tax upon dividends declared. All these fiscal charges, with the exception of the last, are still imposed, and are paid by the associations themselves. These taxes were heavy, and without precedent in any other country. Still, they were regarded as necessary burdens of the war, and as in their nature temporary. They were borne with comparative ease during the paper money inflation incident to the first few years after the war, because the great activity of business and the rapid creation and frequent negotiation of Government debt gave the banks unusual facilities for profitable business. Besides these taxes to the National Treasury, Congress conceded to the States the right to include the *shares* of National Banks in the

valuation of personal property assessed in the names of its owners, *but not at a greater rate than other moneyed capital of the citizens of the States*. It was also provided that such State taxes upon shares should be paid in the place where the banks are located and no elsewhere. The same taxes were imposed by the General Government upon all banks organized under State authority, and the Legislature of New York established the same rule of taxation respecting State and National institutions within its jurisdiction. Bank shares were then supposed to possess the qualities of all other personal property, with a liability only to the same burdens and a claim to the same immunities. Among the latter are the right of all citizens to deduct from the amount of personal property in possession, first, all United States securities, and, second, all debts owed by the person assessed. The question was early raised in this State, whether such deduction of Government bonds was applicable to owners of bank shares, and was referred to the United States Supreme Court for adjudication. That eminent tribunal was divided in its judgment upon the subject, Chief Justice Chase, with two associates, giving an affirmative opinion, and Judge Nelson, with a majority of his colleagues, a negative. The decision of the Court was founded on the principle that if a bank corporation, under the grant of its charter, uses its capital to buy United States bonds, with a view to an ulterior advantage, namely, the obtaining of National bank notes with the profits thereto appertaining, there is a creation of this new use and profitable application of the funds of the bank. This new use and privilege being thus created, the Court maintained that it could be subjected to State assessment and taxation. Hence, the act taxing National bank shares was held to be valid, inasmuch as the limited State taxation allowed by the act was but a condition annexed to the enjoyment of the new use and profit obtained from the United States bonds under the grant of the franchise. The State tax being connected with this ulterior use, and imposed as a burden thereon, the interest of the shareholders could be taxed within the limit of the act, without reference to the property and capital of the bank.

The conclusion reached and the reasoning upon which it rests, taken in connection with the language of the dissenting judges, leave no doubt that the Court regarded the tax as in the nature of a royalty for the grant, annexed to the franchise. The ruling is distinctly that taxes by the State are permitted to be imposed wholly irrespective of the character or description of the property or capital of the bank; and this being so, it logically follows that the par value of the share is the fixed value for taxation, whether the shares may be said to have an actual value above or below the nominal amount. It was thus regarded as conclusively settled, that, as holders of bank shares are deprived of the privilege of reducing their valuation by deducting the Government securities, a privilege which attached to all other personal property, that the valuation of such shares as a basis for taxation could not exceed

*par*, and accordingly it has ever since been the rule in this State, that bank shares should be assessed at *par* in the cities of New York and Brooklyn. In all other cities, however, and in the rest of the State, the assessments have been very irregular. By the last report of the assessors, it appears that of the whole bank capital in this State out of New York, amounting to nearly 47 millions, \$22,383,191 is assessed from nothing to 50 per cent., averaging  $44\frac{1}{3}$  per cent.; and \$24,577,105 from 60 to  $112\frac{1}{2}$  per cent., averaging  $85\frac{1}{2}$  per cent.

Another proof of the equity of the demands made by the banks is seen in the fact that all they ask is, that their surplus should be exempt as heretofore from taxation, and by its very nature the surplus of a bank cannot be a just subject of taxation. In other words, the surplus, though expressed in different figures, consists of a multitude of values in various degrees of maturity, which it is absurd to regard as represented dollar for dollar in the market value of the shares. The surplus, for example, includes items in process of maturity, interest upon discounted paper yet unearned, with a multitude of other values, which, if the bank should be wound up on a given day, would not produce in money the amount set down as surplus or undivided earnings in the published reports of the various banks, as they are required by law to be made to the Comptroller or to the Bank Commissioner, and yet these reports are assumed by the assessor to contain such an account of the surplus as can safely be used to measure the value of bank shares for the purposes of assessment. The controversy began, as is well known, a short time ago in the city of Albany. The shareholder of a bank whose stock was assessed at *par*, refused to pay, because the shares of another institution in the same city, which had accumulated a surplus larger than his, were only assessed at the same value. This case being brought before a State Court, the Judge, in sustaining the validity of the special assessment, took occasion to express the opinion that, in strict justice, the assessment of taxes ought to have reference to the value of the property of the bank. Acting promptly upon this expression of the Court, the assessors of taxes in the city of New York have declared themselves constrained, for the first time, to raise the valuation of bank shares, not only by assessing them above *par*, but by adding all surplus and earnings. And the new extraordinary assessment in this city is made, notwithstanding the fact that in the city of Albany, where the decision of the Court referred to was given, and in all other parts of the State, the assessments of bank shares continue as before. Hence, it appears that in the city of New York, the singular anomaly is presented of the taxation of bank shares greatly above their cost at the time of assessment, or of their market value before or since.

Some interesting figures have been published, showing by actual sales at the New York Stock Exchange, that the assessors have valued the shares of some of the banks at prices 30 or 40 per cent. above their selling value in the market. This is a point

however, on which we shall not further insist. It is enough for our purpose to indicate the fact that the bank surplus is assessed for taxation. The evils of such a vicious tax it is impossible to overestimate. Some of them are seen, while others are not seen, and the latter are likely to be infinitely the worst. A few of these evils are pointed out in the following wise suggestions, with which the committee close their report: "The city of New York is now vainly struggling to maintain its commercial supremacy against various and most adverse influences. The financial policy of the Government, the destruction of foreign commerce, and the sharp competition of railroads for internal trade, have all operated to diminish her relative importance. If to these be added the weakening of her banking institutions, by permitting such excessive taxation as will drive them out of the business, or deprive them of the strength and stability which are required to command the confidence of the country at large, the most important blow will then be struck at her prosperity. Without those guarantees which strong institutions can give, money will concentrate elsewhere, and with its departure all other property which derives from trade its power to support the revenues of the State will as rapidly deteriorate. The banks in New York city do not ask special consideration for themselves. They only seek, and will be compelled to contend to the very utmost for, that equal justice which so large an interest as theirs in the State must eventually secure, and which cannot be withheld without general destruction. In respect to the change which is proposed in the existing statute, a word of explanation is proper. There are a few banks in this city which have accumulated a surplus above their capital, so large as to render them fair subjects for taxation, while at the same time it is equally fair, in consideration of the fact that owners of bank shares do not secure the privileges granted to all other personal property, of deducting from their assessments the Government securities which they possess, or the debts which they owe, that they should not be assessed with extreme exaction. This law is, therefore, so changed, as to effect a fair and just compromise of all the interests involved. It proposes to leave undisturbed all banks in other parts of the State, by permitting, as before, the valuation of shares at not over par, and allowing assessors the option to add for taxation any excess of surplus over 50 per cent. of the capitals of the respective banks. This change, while it still leaves bank shares subject to taxation to a degree disproportionate to other property, will be so acceptable to the great body of shareholders of banks, whether residing within or without the State, as to remove the present feeling of the great injustice with which they are threatened, and will best promote the general interest."

As considerable agitation has been produced by the action of the tax assessors, and as their action is alleged to threaten more mischief to the banking system than any recent legislation, it is only fair that we should give those officers an opportunity of expounding the reasons for the increase of the assessment of the

New York banks. It will be seen that they do not state why the surplus of the banks of Albany and other cities has not been assessed as well as that of the banks of New York. The assessors give the subjoined statement in their report to the Mayor: "The method of assessing banks is a subject which has received the careful consideration of the Commissioners. For several years the system which has prevailed of assessing the shares of all banks at the par value, without taking into account the value of the shares of some of the banks worth more than par, owing to their possession of a surplus, has been the cause of complaints, the complaints coming in large proportion from those banks which do not possess a considerable surplus. The complaints were based upon the statement that, as imposed, the assessment was unequal, and that the surplus of other corporations being assessed, it was not just that the surplus of banks alone should escape. While the Commissioners could not deny that there was force in these statements, they felt restricted as to their action—in part by the usage of the Department before any of the present Board entered into the office, in part by the general practice in the State, but chiefly by an unwillingness to jeopard the validity of assessments involving so many millions of dollars, by a construction of the law of 1866 which might have been successfully contested. From the restraining influence of the last consideration the Commissioners are now released by a judicial interpretation of the statute, the effect of which is to impose upon them explicitly the duty of assessing the shares of stock in bank "at their true value instead of their par value." This interpretation was given in the Schenectady General Term of the Supreme Court, November, 1874, Bockes, Landon, and Countryman, Justices. The case was entitled "The People, *ex rel.* Chauncey P. Williams and others, against the Board of Assessors of the city of Albany." Divested of the nomenclature of the law, the question was whether the shares of a bank with a capital of \$350,000, but with accumulations amounting with the capital to \$1,183,839.15, were properly assessed at par, or \$350,000. The opinion of the Court was that the assessment at the par value was erroneous, and that the law required the shares to be assessed at their value, whether that value exceeded par or not. It is significant that, although the title of this case does not disclose the fact, the suit was practically between two of the Albany banks, each with a surplus, but one with a larger surplus than the other, and each assessed alike at par."

Although, as we have said above, the controversy is not finally closed, still a partial adjustment has been arrived at. The Commissioners of Taxes have reduced their valuations on the affidavit of the officers of each bank, that for tax purposes the shares as personal property, and exclusive of the real estate, were not worth more on the day of valuation than a specified price. Some of the affidavits have been accompanied by a detailed statement of the condition of the institution, but this, we believe, has not been insisted on. To provide against a repetition of the agitation another

year, a bill has been prepared by the Bank Committee and introduced into the Senate at Albany, fixing the valuation of bank shares at par, except in cases where the surplus of any bank amounts to 50 per cent. of the capital, when the excess alone is to be taxable. A deputation of bank officers has also visited Washington, but for obvious reasons the prospects of legislative action there are somewhat uncertain. Still a partial relief is attempted in a bill which has been introduced in the House of Representatives, and the members of the Committees of Ways and Means and Banking and Currency are reported to be favorable to the adoption of some legislative measure, if a suitable one can be devised. Some information as to proposed litigation will be found on another page of this issue. Last year the banks of this city were 76 in number, having 25,236 shareholders, and an aggregate assessment of \$73,390,989. In 1874 the banks were 75 in number, with 25,122 shareholders, and a valuation of \$74,897,570. In 1873 there were 78 banks, with 26,059 shareholders, and a valuation of \$77,650,395. For the year 1876 the aggregate assessments have not as yet been reported.

## THE MARKET FOR AMERICAN SECURITIES ABROAD.

One important element of the question of refunding the public debt, as has been frequently shown, is the probable demand for our Government securities in Europe. Hence all the indications of the foreign markets claim special attention. One of these indications which we have several times discussed, is the discredit of other securities, which have rivaled ours in the Bourses of Continental Europe and at the London Stock Exchange. The London *Economist* of April 1 gives some illustrations of this argument. It shows that in three of the most popular securities dealt in at the London Stock Exchange, there was a depreciation of 90 millions sterling during the last twelve months. The par value of these securities outstanding was £258,640,000, of which the Turkish were £176,354,000, Egyptian £56,740,000, and Peruvian £25,546,000. At the market price of April, 1875, the total value was £157,872,000, while they were worth a year later £66,923,000, showing a loss of £90,949,000. Since this report was prepared a further fall has taken place. The loss has been distributed as follows:

	Value in April, 1875.	Depreciation from April to October, 1875.	Depreciation from October, 1875, to April, 1876.	Total Depreciation.
Turkish.....	£93,475,000	£37,950,000	£24,880,000	£62,830,000
Egyptian.....	48,145,000	10,090,000	7,508,000	17,598,000
Peruvian.....	16,252,000	5,327,000	5,194,000	10,521,000
Total .....	£157,872,000	£53,367,000	£37,582,000	£90,949,000



Perhaps these securities are really as valuable now as they ever were. The fall in them is partly the result of a "bear raid," and partly of favoring circumstances. One cause of the opposition to the purchase of the Suez Canal shares by the British Government, was that it interfered with the designs of the bear speculation, which had been very successful, and was somewhat checked by the belief that Egyptian securities, and perhaps Turkish, could be saved from the general fall. Some of the papers which had been very prominent in helping to depress these discredited securities, would have done more good if they had warned the public earlier against such investments. Most of these securities were first negotiated in London, and then sold out upon the Continent. Thus Paris, Frankfort, Vienna, and Berlin came to get their share, and when the break commenced in London, the contagion spread to the Bourses on the Continent. The London *Economist* says of the losses of the last year: "They reach an amount, as we believe, almost unexampled in such securities, and which is so large that, far from wondering at its having caused many failures, we can hardly explain to ourselves why it has caused so few. No doubt the loss is distributed over Europe; it falls on a very great number of persons, and, as a rule, impairs only an accessory element in their income, not their main one. Still, after every deduction, the calamity is of the first magnitude, and must for a long time be felt sharply and widely. It is melancholy to think that the transactions which have done the lenders so much harm should have done the borrowers so little good. But we fear that in Turkey and Peru there is almost nothing, and in Egypt nothing sufficient, to show as an equivalent for the expenditure of these enormous sums. The truth is, that Lombard Street has been to these semi-civilized countries what the London money-lender is to the young men at Oxford; it has given them a premature command of money, which they have not judgment or experience or stability of character enough to spend well; which, accordingly, they spend ill, and which does them almost unmixed harm."

When the financial results of the last quarter of a century are put upon record, an interesting story will be told of the reckless credulity with which European capitalists have allowed themselves to lend fabulous sums to bankrupt Governments, on securities no better than those set forth in the above table. The oldest securities on this list are those of Turkey. Prior to the Crimean war of 1853, Turkey had no European credit, and could not borrow on any terms in England. Her finances were disordered, and her Government revenue precarious. Some astute Greek financiers enjoy the repute of establishing the funded debt of Turkey on its present basis. Its amount is 880 millions of dollars, of which 780 millions have been negotiated since 1869. The Egyptian debt amounts to 280 millions of dollars, of which 200 millions have been negotiated since 1870. The Peruvian debt amounts to 75 millions of dollars, all of which has been incurred since 1870. It is thus seen that by these three classes of active securities, con-

spicuous at the Stock Exchange in London and Paris, no less an aggregate than 1,055 millions of dollars have been borrowed by defaulting governments since 1869 and 1870. In other words, during the very period in which we have been attempting to refund our debt by the sale of 1,000 millions of 4 per cent. bonds in Europe, the money we had been competing for has been carried off by three rival borrowers, who have now got to the end of their credit, and have retired from the field, or rather have been driven away, and cannot borrow any more. The views we have repeatedly expressed on this subject are supported by the authority of the London *Economist*, whose opinion is the more valuable as none of our readers will suspect that paper of a bias too favorable to American securities. Commenting on the defaults and on the disasters they have caused, our contemporary says: "The lenders to such countries as are now in difficulty have indeed little claim on our respect. They lend in the face of ample warnings; they lend to persons of whom they know little, and of whom much of that little was not good. Common sense should have told them that States which only pay their interest by borrowing new loans, must eventually reach a time when that can be done no longer; and then 'difficulties,' to use a mild expression, must arise. But they wanted high interest, were deaf to all arguments as to its difficulty, and must now take the consequences. For the moment there is a danger that the credit of really sound and solvent States may be impaired by this calamity, but in the end it will not be bad, but good for them. It will take away the competitors who attracted money away from them; who raised the rate of interest which they had to pay, and who have for years made the English foreign loan market a scene of confusion, where the bad were hardly to be separated from the good, and where cautious people in consequence were very cautious, if indeed they ventured there at all. With National credit as with individual, the detection of the undeserving is a condition precedent to the success of the deserving."

In the main, we heartily agree with the inferences deduced from the facts above stated. Still, it must be remembered that the losses as set down must not be regarded as final, but as subject to future movements of the market. To regard them as final and absolute would be nearly as great an error as is sometimes made by English writers, who state that the British investing public since 1873 have lost 100 millions sterling by insolvent railways in America. It is true that American railroads have absorbed or sunk a vast amount of capital, which, for the present, is unproductive and yields no interest to its owners. But not to mention the exaggerated estimate, which puts the amount of defaulted railroad bonds held abroad at 500 millions of dollars, when it is in reality but 253 millions, it is a wrong to suppose that English investors have lost all this sum, for a part of it has been sunk by Holland, Germany, and France, as is proved by the fact that a considerable aggregate of the defaulting bonds is held on the Con-

continent of Europe. Moreover, it is certain that, unless in some exceptional cases, the capital which seems to be lost in such investments is not really destroyed. It will re-appear like the seed sown by the farmer. It will create new values which will be realized by future owners of the bonds at present in default. Such is the case with our defaulted railroad bonds. How far the same principle may be safely applied to the Turkish and other securities under review, it would be premature to predict. What is certain is, that when the bears who are so busy and successful in the English Stock market begin to see that the proper time has arrived, they will no doubt run the securities up as fast almost as they have lately been running them down.

What is more to the present purpose, however, is the fact that we must not be too sanguine in our expectations of an early revival of confidence. Experience shows that a revulsion of feeling such as the *Economist* speaks of, in favor of our securities, is likely to be of slow growth in Great Britain. Some time must of necessity elapse before the discredit which foreign securities have incurred will disappear. In England it is well known that the classes of small investors to whom we must look as the chief purchasers of our bonds, have been profoundly perturbed by the losses of past years in foreign investments. Such a deep and general discredit is not easily removed, and we ought not therefore to be much surprised if it extends to securities which do not deserve it.

Again, we may do well to remember that the investing classes to which we refer are not so well off as formerly. The depression of the last two or three years has reached them, so that they have less money to invest. Making due allowance for the delay from these and like causes, there is some evidence in the facts before us to confirm the opinion, that a number of favorable circumstances are working together in aid of American credit in Europe, while other influences which have for years been adverse are acting with diminished force. On the whole, it would appear probable that English capital during the next three or four years will not only seek our Government securities, but will also flow into carefully selected railroad, municipal, and real estate investments. For it is believed that in no other country can such investments be found equally safe, remunerative, and attractive.

A mistaken notion prevails in some quarters as to the real extent and importance of the railroad defaults in this country since the panic of 1873. Some of the errors which have been current at home and abroad on this subject were exposed in a recent article, in which we gave the details of every railroad default up to December, 1874. By reference to our article, Vol. IX., p. 453, it will be seen that the railroad defaults at the close of 1874 affected 115 railroads, and comprised bonds of the par value of \$ 525,294,867. Of these defaulted corporations, 17 had resumed payment, or had concluded arrangements with their creditors. The amount of bonds so adjusted in December, 1874, was \$98,350,995. Thus the aggregate of bonds in default was reduced

from 525 millions to \$426,943,872. This list was compiled by us with great care from returns we obtained from the various companies, and we announced that the aggregate of defaults would receive some notable additions during the year 1875. This prediction has been fully verified. The number of defaulting railroads has been increased, and the aggregate of the bonds tainted by default has risen from 525 millions to 784 millions, showing an increase of 259 millions. An encouraging feature is the rapid progress of settlement. The reconstructed bonds amounted a year ago to 98 millions; their sum is now 250 millions. Hence we find that the railroad bonds at present in default are only 533 millions, against 426 millions in December, 1874. We compile from the *Financial Chronicle* the following details of the progress and present condition of the defaulted railroad securities:

PRESENT CONDITION OF DEFAULTED RAILROAD BONDS, JANUARY, 1876.

Total bonds of 37 companies first defaulting prior to 1873	...	\$134,684,600
Total bonds of 35 companies first defaulting January 1 to September 20, 1873	.....	91,740,500
Total bonds of 25 companies first defaulting September 20 to December 31, 1873	.....	152,633,250
Total bonds of 72 companies first defaulting in 1874	.....	265,366,701
Total bonds of 25 companies first defaulting in 1875	.....	140,448,214
Total bonds of 3 companies first defaulting January 1, 1876	.....	4,494,400
Total bonds of 197 companies defaulted	.....	\$789,367,665
Arrangement according to condition of companies:		
Bonds of 18 companies already funded or settled	.....	\$91,549,250
Bonds of 64 companies settling or remaining without litigation	.....	151,369,500
Bonds of 71 companies having foreclosure or other suits pend'g	.....	387,079,615
Bonds of 44 companies foreclosed or re-organized	.....	159,373,300
Total of 197 companies	.....	789,367,665
Bonds of companies now in default unsettled	.....	\$538,445,115
Proportion of grand total estimated to have been held in the		
United States	.....	\$535,967,665
Proportion estimated to be held abroad	.....	253,400,000
Total	.....	\$789,367,665

It is important to observe, in regard to these bonds of railroad companies in default, that an excessive proportion of them are held abroad. We estimated that there were in December, 1874, 390 millions of American railroad bonds owned abroad, of which 148 millions were then in default. Since that estimate was made our foreign friends have been still more unfortunate. They have bought no more bad bonds from us; but of those they previously held, 100 millions more have defaulted. These foreign capitalists now hold 253 millions of defaulted bonds out of the 390 millions which we estimated as their total holdings of American railroad bonds in 1874. In other words, the weak and reckless railroad managers, who, like the Emma Mine projectors, were unable to raise money in Wall street, were more successful in Hamburg, Frankfort and London, where pliant bankers were tempted by large commissions to recommend and sell worthless securities to credulous investors. What is singular about this movement

is, as we have said, the stolid pertinacity with which the foreign markets refused our best railroad securities and preferred our worst. In this country our capitalists hold railroad investments of the total value of more than 4,000 millions of dollars. The proportion of defaulted bonds held in this country is estimated at 536 millions, or 14 per cent. of the whole. On the other hand the foreign investors in our railroads, out of a total investment of less than 400 millions, have been so misguided as to take defaulted bonds to the amount of 253 millions, or 65 per cent. of the whole.

Many persons have supposed that the bad success of past investments will discourage future investments and repel foreign capitalists from our best railroad securities. Such an inference is not warranted by the experience of Wall Street or by the course of financial investments generally. When a man loses money in Wall Street he does not usually quit speculation, or turn his back upon it forever. Nor in international investments of capital do the first losses quench the hopes of compensation by future gains. Moreover, in the case of American railroad bonds the evidence is so conclusive that the losses have been due to want of discrimination, and to a reckless choice of bad investments when good ones could have been had as cheaply here as any where else in the world. The men who find so much to say against our railroad system because of its defaulting and crippled corporations, should bear in mind two facts: First, the defaulted bonds owe, most of them, their very existence to the reckless credulity of the foreign investors themselves. The bonds they hold were not fabricated for sale here, and could not have been used here in any way but for the prestige given to them in foreign markets. We have just reason to complain of the elements of weakness and of danger which have thus been introduced, by the co-operation of the suffering foreign investors, into our railroad system.

Secondly, the traducers of our railroad credit need to be reminded that the defaulted securities are a small proportion of the aggregate railroad investments in the United States, and that the net earnings of our railroad system amount to  $4\frac{1}{2}$  per cent. a year upon its total construction. This average of net earnings is not surpassed by the best European systems of railroads. In our last report of the railroad network of Great Britain we showed from official statistics that the percentage of net receipts to total capital decreased from 4.43 per cent. for 1871, and 4.51 per cent. for 1872, to 4.35 for 1873, and to 4.14 for 1874. In the United States our railroad network earned on the average 4.96 per cent. in 1873, and 4.50 in 1874.

Finally, the view we have taken as to the hopeful prospects of our railroad securities abroad is confirmed by the fact that the foreign negotiation of American railroad securities has received a new impulse of late, and that while new and unknown companies stand no chance at all and can not even get a hearing abroad, the bonds of corporations of established credit are rising in favor.

## COMMERCIAL FAILURES AND THEIR INDICATIONS.

As practical finance becomes more perfectly understood, the business failures of any commercial country are more generally recognized to be a test by which valuable knowledge can be inferred as to the condition of productive industry. Thus in the history of the paper money periods of the Napoleonic wars of Great Britain, there is scarcely any fact so often cited as evidence of the real condition of business, as the annual crop of failures which the season produced. In every country where the aggregate of failures are officially kept on record, this class of statistics are of great and acknowledged value as economic data; for they help us both to measure and to demonstrate the real progress which is being made by the National wealth and productive power. In view of these facts, it is singular that the Governments of Europe have given so little attention to this branch of commercial statistics. In England the statistics of commercial failures are more complete than in any other European country, but of late years there have been in the United States statistical reports of business failures still more complete and full. We are reminded of this fact by the quarterly report on this subject issued by Messrs. Dun, Barlow & Co. The statement for the three months ending March 31, 1876, is compared with that of the previous year in the following table, which shows how active is the process of liquidation in all parts of the country. It is not so easy for a man to cover up his insolvency as it was before 1873. Some have supposed that these failures have a recent origin, and that they are a sign of evil omen for the financial future. We do not accept this view of these disasters. They have most of them proceeded from losses of past years. If so, the cutting off of the unsound member ought rather to be regarded as salutary. It results from a process of pruning which only cuts away the dead, rotten wood from the tree of mercantile credit, and allows the sound limbs to grow all the better afterward. With few exceptions, the failures we are considering result from two causes. First, they come from losses outside of the regular business of the bankrupt, or connected with the dangerous expansion of his credit within his business; or secondly, they result from a want of economy; and from the bankrupt allowing his expenses at home and at his store to eat up both his capital and his credit. Now if it is the salutary function of these severe disasters to purify our commerce from both these evils, and to teach our mercantile men not to speculate with their own money or with that of their creditors, but to keep honestly within the bounds of legitimate business, and to practice there the severe economies which were formerly held in honor,—the process, we repeat, must

be regarded as salutary even if it be also harsh. But for this consideration, it must be admitted that the increase of the failures during the last few months is so great as to awaken considerable anxiety. From the subjoined tables it will appear that the amount and number of these failures during the past half year have been greater than in the previous nine months.

## COMMERCIAL FAILURES IN THE UNITED STATES AND CANADA.

States and Territories.	First Quarter in 1876.		First Quarter in 1875.	
	No. of Failures.	Amount of Liabilities.	No. of Failures.	Amount of Liabilities.
Alabama.....	22	\$256,300	15	\$366,000
Arizona.....	..	..	..	..
Arkansas.....	8	97,700	2	27,000
California.....	52	1,201,398	61	675,971
Colorado.....	6	50,000	..	..
Connecticut.....	62	1,722,394	41	297,761
Dakota.....	3	67,000	..	..
Delaware.....	6	85,000	5	65,000
District of Columbia.....	1	4,477	5	28,824
Florida.....	5	30,000	4	160,000
Georgia.....	68	2,080,276	40	1,037,300
Idaho.....	1	3,500	..	..
Illinois.....	132	2,962,500	96	2,385,018
City of Chicago.....	52	3,097,200	..	..
Indiana.....	92	1,322,521	84	1,661,349
Iowa.....	98	1,180,080	44	376,265
Kansas.....	19	171,500	19	83,300
Kentucky.....	68	1,218,653	38	1,196,000
Louisiana.....	12	553,525	6	305,831
Maine.....	40	669,450	..	..
Maryland.....	44	703,492	44	780,435
Massachusetts.....	154	4,022,560	113	5,514,000
City of Boston.....	114	6,157,000	..	..
Michigan.....	159	3,444,839	61	511,041
Minnesota.....	44	263,477	38	250,000
Mississippi.....	30	311,046	17	418,450
Missouri.....	35	653,200	65	1,199,559
City of St. Louis.....	22	580,933	..	..
Montana.....	2	55,000	..	..
Nebraska.....	8	51,200	16	120,000
Nevada.....	5	32,000	..	..
New Hampshire.....	18	217,500	..	..
New Jersey.....	53	657,747	11	81,758
New York.....	282	6,035,968	152	2,694,562
City of New York.....	313	9,513,548	197	8,490,500
North Carolina.....	55	482,585	16	123,000
Ohio.....	137	2,113,005	73	1,187,155
City of Cincinnati.....	28	730,809	..	..
Oregon.....	6	25,300	..	..
Pennsylvania.....	139	3,125,171	155	4,927,666
City of Philadelphia.....	34	1,322,220	..	..
Rhode Island.....	36	982,191	21	476,394
South Carolina.....	40	725,858	61	989,236
Tennessee.....	..	..	23	143,765
Territories.....	..	..	32	546,702
Texas.....	44	635,896	67	660,100
Utah.....	1	6,000	..	..
Vermont.....	23	437,000	7	31,200
Virginia and West Virginia.....	54	2,121,665	47	642,765
Washington Territory.....	3	162,664	..	..
Wisconsin.....	92	1,039,712	57	419,384
Wyoming.....	1	37,000	..	..
Total.....	2,806	\$64,644,156	1,733	\$38,873,222
Dominion of Canada.....	477	\$7,418,030	396	\$4,141,340

## COMPARISON OF FAILURES OF LAST SIX MONTHS WITH THOSE OF PREVIOUS NINE MONTHS.

	<i>Failures in United States.</i>		<i>Failures in N. Y. City.</i>	
	<i>No.</i>	<i>Amount.</i>	<i>No.</i>	<i>Amount.</i>
Jan. 1 to Mar. 31, 1876.....	2,806	\$64,644,156	313	\$9,513,548
Oct. 1 to Dec. 31, 1875.....	2,405	70,888,850	405	17,567,317
Total for six months.....	5,211	\$135,533,006	718	\$27,080,865
July 1 to Sept. 30, 1875.....	1,771	\$54,328,237	211	\$16,933,850
April 1 to June 30, 1875.....	1,581	33,667,313	138	6,272,000
Jan. 1 to Mar. 31, 1875.....	1,733	38,326,522	197	8,490,500
Total for nine months.....	5,085	\$126,322,072	536	\$31,696,350

Some important points are suggested by this table in regard to the distribution of the failures. Several of the Western States show a larger proportion of these disasters than for some years. Illinois, Ohio, Michigan, and Wisconsin all show a considerable increase. This increase of failures in the West is the more noteworthy, as the Western States have heretofore suffered less from the effects of the panic of 1873 than other sections of the country. A similar principle is illustrated by the Southern States, in which the effects of the depression were not conspicuous till last Autumn. In the foregoing table it will be seen that Georgia and Virginia and some other States show a considerable percentage of increase. In the opinion of some commercial writers, failures are the Nemesis which follows the footsteps of those traders whose credit does not deserve to survive. This sentiment is discussed as follows in the report before us:

"A condition of expansion such as the large expenditures of the war induced, and which a vastly increased currency caused to be perpetuated, could not take place without stimulating trade unduly, and causing such large numbers to enter commercial pursuits as to crowd all the avenues of business with more than an adequate number even when trade was at its best. But now that there is but little business to be done beyond supplying the restricted wants of the people, the excessive number in trade must be lessened, and the struggle for existence, the doctrine of the survival of the fittest, receives a fresh illustration. It is to be deplored that the large army of traders, whose services are no longer required, cannot retire from the field except through failure. The voluntary withdrawals from business are in far less proportion than they should be in view of the great reduction in its extent. Although failures are generally regarded as the most marked indication of a bad condition of trade, it appears as though this was the only process by which the number engaged can be lessened, so that those who remain may make profit enough to yield a living."

In the treatment of bankrupts and insolvents as administered in modern times, we find two opposite systems of policy, the merciful and the severe. The latter is the more ancient, and prevails for the most part in Europe; the former is the more modern policy, and it has long been popular in the United States. Notwithstanding the numerous abuses to which this merciful treatment of unfor-



tunate traders may give rise, there is little doubt that it will continue to flourish in this country as more in accordance with American institutions. Still this policy needs to be tempered and guarded by some judicious restrictions, such as are above suggested.

Considering all the circumstances of the past two years, the failures in some departments have fallen below expectation. This fact indicates previous accumulations of capital, limited internal indebtedness, and a sounder condition of credit than was supposed to exist after all the waste of war, excessive taxation, an increased currency, and the expansion which followed. Though the year has resulted very rarely in profit, and much more frequently in loss, there is much to encourage confidence in the ability of the commercial community to wait for better times. The inspiring National event of the Centennial year will, it is believed, for a time, infuse considerable activity in some localities. A great influx of visitors from abroad, and the necessary circulation of money in the movement of large numbers of our own population, can hardly fail to vitalize some drooping interests. This temporary impulse may be taken advantage of in the progress toward prosperity, but the revival of a sound business activity must rest on the basis of honest thrift and economy, less fixed and more floating capital, a reduced cost of production, a prudence in trade, a reduction of living and business expenses, a lessened indebtedness, and a closer scrutiny of credits.

---

## DOES CURRENCY CONTRACTION DESTROY CAPITAL?

It is well known that the active currency of this country, for two or three months past, has suffered a sharp contraction in its volume. By the operation of the laws of June, 1874, and of January, 1875, the redundant circulation of greenbacks and National Bank notes has fallen more rapidly than in any similar period since the famous contraction movement during the administration of Mr. McCulloch. Among the questions that have been raised in consequence of this salutary restriction of the depreciated and excessive issues of paper money, one of the most recent, if not the most important, is whether the contraction of the currency is not a destruction of capital. If, as some say, "the issue of bank-notes creates new capital, does not their destruction," we are asked, "destroy capital?" The fallacy that underlies this question has been often affirmed, and as often refuted. It confounds debt with credit, and both with real wealth or capital. It assumes that a bank, by simply increasing its promises to pay, contrives in some mysterious way to increase the aggregate capital of the community, which is the same thing as to say that a nation, by augmenting its debts, will increase by the same act its wealth. Although mischievous errors have prevailed on this subject, both here and abroad, still it is certain,

and a careful analysis and examination of the subject will abundantly prove, that banks have no power whatever to create capital. They can "collect," as Wolowski says, and they can "utilize," the dispersed capital which might otherwise be useless to the community, but they never create capital; and it is a serious economic heresy to think otherwise. As this heresy lies at the bottom of the sophistical reasoning for which innumerable speeches in and out of Congress are distinguished, its refutation is of vital importance to the country in the present state of the banking system, and of the National finances generally. In all such discussions it is first of all needful to define the economic terms we have to employ. The chief of these terms are "credit" and "capital." Now, as credit in the old Roman law has been defined with sufficient clearness to be *aliena pecunia*, "other men's capital," we will pass on to the question, What is capital? The capital of any man consists of his property and his legal right and dominion over it. The capital of any community is that aggregate mass of property which belongs to all its people. It comprehends all rights, claims, and other things possessing exchangeable value,—which can be sold or bartered, lent or hired. We call by the name of capital all those things which people desire and are willing to buy, whether the commodities are desired (1) for immediate *consumption*, to supply the necessities and comforts, the decencies and the luxuries of life; or (2) whether they are chiefly intended to be employed in *production*, and as instruments by which other things can be created for sale, or for consumption, or for hire. Some economists confine the term capital to property destined to the second of these two purposes, while the first is called by them "riches or wealth." Thus all capital, according to these authorities, consists of instruments of production. Whichever definition we accept, it is clear that lands, houses, work-shops, factories, railroads, canals, provisions, clothing, fuel, merchandise, raw materials of every kind, ships, utensils, machinery, and other such property, are various forms of productive capital. If the farmer wishes to cultivate more fields, or to cultivate his present fields more highly, or to make improvements on his farm, or to extend his operations in any way, the capital he stands in need of, and must acquire by loan or purchase, is land, cattle, horses, sheep, implements, seed, food and clothing. If a manufacturer desires to enlarge his operations, the capital he requires must assume, before he can use it in production, the form of buildings, machinery, raw materials, and wages for his workmen. If a merchant proposes to extend his commerce, and if he seeks loans from banks, it is only that he may convert these loans of money into ships, cargoes of agricultural produce, or of merchandise, and into wages and provisions for his crew. The capital which is the instrument used by these operators to accomplish their work, and to pay the wages and other expenses incident to their undertakings, may be regarded as the instrument by which he and his laborers are

enabled to procure some of the necessities, decencies, or luxuries of life. So that, as Adam Smith pointed out, the power of any given population to set additional industry in motion, both augmented, and is augmented by, the amount of its capital, as above described. Now, it is a direct result of Adam Smith's principle, that the mere emission of bank-notes adds nothing to the mass of capital previously existing. It creates neither lands, houses, machinery, ships, raw materials, provisions, raiment, gold, silver, nor any other conceivable thing that helps to swell the aggregate mass of National or individual capital. In fact, a bank-note is nothing but a promise to pay on demand a certain sum of lawful money; and it is easy to be seen that a promise to pay is not the actual payment itself, and that no conceivable number of such promises can ever constitute one atom of the thing promised. As well might it be alleged to a bankrupt's creditors that their debtor's promise was payment. As well might we declare to a man perishing of starvation that a baker's promise of a loaf of bread was bread itself, or to a shivering man on a cold day that a tailor's promise to deliver a suit of clothes would protect him the same as the suit itself. The demonstration is so plain that when it is once pointed out no one can fail to perceive the falsehood of the theory that bank-notes or any such instruments can create or be transmuted into the thing they promise to pay. How, then, it may be asked, do the issues of paper credits by banks of circulation operate upon the community? and by what magical process have they, at times, in this country and abroad, produced the appearance of increasing wealth soon after they have been established? This is an important phenomenon, and if closely examined it will help us to understand several important facts about credit and capital. It will also dispel much of the delusion by which the inflationists are misled as to the mysterious power of production which they suppose to be conferred upon a number of individuals when they are incorporated by an Act of Congress. Wolowski explains the chief facts of this process very simply. He tells us that bank-note issues collect and condense in a form fit for use the diffused wealth which is floating among the people, and thus facilitate the transfer of the existing capital of the country. This function they perform, not by creating any new capital, but by economizing existing capital, and by giving purchasing facilities to a new set of dealers with bank-notes in their hands, who are thereby enabled to purchase on the credit of the bank what they could not buy so readily with their own credit. As the owner of goods will trust the bank, although he would not trust his customers, a bank-note has been defined as a draft in favor of the borrower, given by the bank upon the public, to deliver to him a certain amount of capital of any description he may want, the bank promising any one who may honor its draft to pay on demand an equal amount of lawful money. That this is the case the following demonstration will prove. Let us suppose a bank with a capital of a

million of dollars. After this capital is all loaned out it is very evident that the bank has no more to lend. Abel Jones offers a note for discount, having sixty days to run, for \$1,000, and the bank discounts it by giving \$1,000 of its own notes, payable on demand. These notes, as above shown, are not capital, but a promise to deliver capital, and it is only because the bank supposes that no demand will be made upon it before the expiration of sixty days, when Jones's note will become due, that it considers itself safe in exchanging notes with him for that length of time. If the notes come back for payment before the note is paid, it is evident that the bank cannot fulfill its promises to deliver capital, without borrowing from some one else, or without compelling some of its other debtors to pay; and what is true of Jones's note is true of all other notes and obligations which the bank may discount in exchange for its own notes.

With these facts in view, no thoughtful man will contend that Abel Jones borrowed *capital* of the bank, as did all the other borrowers who preceded him. What Jones borrowed was neither more nor less than the credit of the bank. And the question may be very naturally asked, Why should Jones be willing to borrow the credit of the bank, and to pay for it at the rate of seven per cent. per annum, when his own credit is so good that the bank is willing to take it, and to risk their own credit upon it by trusting him for sixty days with \$1,000 of their notes? The solution of this problem is very obvious. It calls into view another of Adam Smith's great principles,—that of the division of labor. A banker is a man whose business it is to understand credits, and the men who ask them. A good bank is an institution whose credit is attested before the public, and is of greater notoriety than the credit of Abel Jones, or of any private citizen. Everybody who has goods to sell will trust the bank, because its solvency is attested. Hundreds of thousands of persons have heard of the bank, who have never heard of Abel Jones. Hence there are thousands of persons who will trust the bank to one who will trust Jones, however solvent he may know himself to be. This universal confidence in the credit of the bank it is, in connection with the known fact that its notes will pay the debts due to the bank for the million of dollars first loaned as readily as lawful money, which renders them universally receivable; and as everybody who holds them knows that he can at any time receive whatever he wishes to buy with them, no one is in a hurry to send them home to the bank for payment, and on that account they remain out of circulation for a long or a short time, by which the bank gains interest, whilst the holders of its notes lose no more than they would lose upon an equal balance kept on hand in money. This, then, is one of the reasons why in any country the credit of any solvent bank in good standing is fully worth the whole price which the public pays for it. There are other reasons equally obvious, and still more cogent, which are connected with the National

banking system. These we have often expounded, and we need not in this place refer to them, though they would greatly strengthen our argument. Enough has been said to refute the fallacy that bank issues create new capital, or that a bank by emitting its notes can accomplish anything else than simply to lend its credit to individuals, so as to enable them to buy on better terms, and to borrow in a more convenient way, and with less loss of time, the capital of others, than they could with their own credit. In other words, the notes of a bank, whether under our National banking system or not, are a species of certificates of deposit. The note-holder is in a certain sense a depositor in the bank. Accordingly, it has been remarked by Mr. Bagehot, that in all modern commercial countries the tendency of bank development is to increase the deposits of the banks, and to diminish the proportionate value of the notes. Mr. Bagehot's principle suggests another set of cogent arguments in addition to those above given, for the doctrine that a bank-note is no more able to create capital than is a bank deposit. For every person must see that what a bank does when it issues its notes to Abel Jones is a precisely similar act to that which it performs when it gives to the same Jones a credit in its books. This being so, the position is established that the wholesome contraction of the currency which is now going on does not destroy capital, but that, being produced by natural causes, it is simply bringing down the circulation toward its legitimate level.

---

### THE SUPREME COURT ON EMIGRATION.

Several new aspects of the emigration question seem of late to be forcing themselves on the public attention. One of these is connected with the withdrawal from our State authorities of the control over emigration which has been exercised under the law of May 5, 1847. That statute created the system of supervision which for nearly thirty years has worked so well, and is generally acknowledged to have been during the most of that period remarkably pure and efficient in its management. This system, as is well known, derives its revenue from a commutation fund paid by the steamship companies on every alien immigrant. This fund is administered by the Commissioners of Emigration, who have assumed the responsibility imposed on parties bringing emigrants to New York, of indemnifying every city, county, and town of this State against such immigrants being a charge on them during the first five years after their coming to this country. The Commission since May, 1847, has supervised the landing of more than 6 millions of emigrants, with their baggage. It has provided and cared for 1,717,838 alien immigrants for a greater or less period during the first five years subsequent to their arrival. It has treated and cared for 547,209 sick immigrants in its various hospitals. It has

supplied 485,669 with temporary board and lodging or pecuniary assistance. It has provided 400,187 with employment through its labor bureau. It has forwarded to inland destinations or returned to Europe at their own request, 58,122. It has relieved and provided for 226,651 in various counties and institutions of the State. Under this head the sum of \$1,411,474 has been reimbursed by the Commission to various counties and charitable institutions. The Commission has also cared for in its various asylums and sent back, at its own expense, to their native countries, many who have passed through New York to other States, possessed of health and supplied with money, which they subsequently lost, and returned to this State in penury and extreme want. It has cured many cases of sickness of emigrants destined to enrich other communities with their money, capital, and labor value unimpaired. As is well known, the chief nations from which this emigration has come are Germany and Ireland. The emigrants from these two countries form about two-thirds of the whole influx. About 80 per cent. of the emigrants to this country enter it through the port of New York, although of course the benefits of this vast addition to our population have been diffused all over the Northern portions of the Republic. Less than 45 per cent. of the immigrants remain within this State, even from the first year from their arrival, and after that a much smaller proportion; but, of course, the tendency is for a larger portion of those who become the objects of public charity to fall upon the city and State of New York. Although these benefits have been conferred, and although the important function of protecting the emigrants from extortion, deception and wrong to which they are exposed, can only be performed by a machinery such as has been organized and set in operation by the laws of this State, still, as we have said, the control which has been in force for so many years has been taken away, and the system established for so many years must come to an end. That this is the inevitable result, is predicted by Governor Tilden in his message of April 12, 1876. To avert it, he asked that the State Legislature would interfere and advance the necessary funds to carry on the work of the Emigration Commissioners for the present year. This work, as we have said, is twofold. It includes, first, the protection of the emigrant from extortion and plunder when he enters this country, and secondly, the protection of the country against a burden of pauperism. It is impossible to overestimate the value of these advantages, but, as Governor Tilden intimates, they may be secured by Congressional legislation. Such an act, indeed, is now pretty sure to be passed for that purpose. And if so, the necessity for State interference and for the consequent addition to the burdens of State taxation will be taken away. The funds of the Emigration Commission have heretofore been derived from the head money above referred to, which has been found till of late amply sufficient. By a decision of the Supreme Court it has lately been affirmed that the State governments have no right under the Constitution of the United States to charge with head money

either emigrants to this country or the shipmasters who bring them. Such a right to charge head money is pronounced to be inconsistent with that clause of the United States Constitution which gives to Congress exclusively the "right to regulate commerce with foreign nations."

The decision of the Supreme Court which has caused so much agitation, is that of *Henderson vs. Wickham*. It was rendered March 26, by Mr. Justice Miller. It begins with a recital of the old and famous case of *The City of New York vs. Miln*, 11 Peters, 103, wherein the Supreme Court held that the Constitution of the United States does not forbid the State authorities from exercising "police powers towards arriving immigrants, so far as to require a report such as is presented in the New York statute of February 11, 1824. This law required the masters of all passenger vessels to report the name and age of each passenger landed in New York, with his occupation and last place, of settlement. In the principle of law thus established, the Court in the decision before us expresses a guarded assent, qualified by the statement that it was dissented from by Justice Story, who, "in his opinion, said that Chief Justice Marshall, who had died between the first and second arguments of the case, fully concurred in the view that the statute of New York (of February 11, 1824) was void, because it was a regulation of commerce forbidden to the States." Judge Miller, after this opening, proceeds to establish by a very elaborate argument the exclusive control of Congress over immigration as a branch of the foreign commerce of the United States. Immigration is, he says, "in an eminent degree a subject which concerns our international relations, in regard to which foreign nations ought to be consulted and their rights respected. The laws which govern the rights to land passengers in the United States from other countries, ought to be the same in New York, Boston, New Orleans, or San Francisco. Congress can more appropriately, and with more acceptance, exercise the needful authority than any other body known to our law, State or National. By providing a system of laws in these matters applicable to all ports and to all vessels, a serious question, which has long been a matter of contest and complaint, may be effectually and satisfactorily settled. Whether in the absence of such action the States can, or how far they can, by appropriate legislation protect themselves against *actual* paupers, vagrants, criminals, and diseased persons arriving in their territories from foreign countries, we do not decide."

We have given at some length the important points of this decision, for several reasons. First, because it was proper to set at rest some errors and misconceptions which prevail as to the real force and meaning of the decision of the Supreme Court. As will be seen, it does not declare directly that the New York Emigration Commission or its work is unconstitutional and must cease. What it does is to stop that work indirectly by destroying the revenue by which it is carried on, and by forbidding the imposition

of a head tax on immigrants. The Supreme Court thus takes away the income of the Commission, but it does not otherwise interfere with their efficiency. Hence we see the grounds of the application made by the Commissioners, in the memorial of April 5, to the State Legislature for an appropriation of money. The sum asked for is \$322,188, to meet the expenses of the current year. Except they can obtain pecuniary help, either from the State or from Congress, the Commission state that they will have to close their work during the present month of May. Secondly, we wish to show the necessity of immediate legislation by Congress. If this can be accomplished promptly there will be the less need for any new burdens of taxation to be laid at the present inopportune moment upon the State of New York. Eventually the subject will of necessity have to be acted upon by Congress. The needful legislation should be immediately devised, and a better system could scarcely be chosen than that which for more than a quarter of a century has worked so well in New York.

---

### THE MORTGAGE TAXES IN CALIFORNIA.

Among the special efforts for the reform of our State taxation, perhaps the most recent and conspicuous are those of the Union League Club, whose committee appointed to report upon the unequal pressure and mischievous effects of our State fiscal system has prepared two memorials to the State Legislature, which have received a large number of influential signatures. Of these memorials, the first shows the need of a reform in the State laws governing taxation. It is affirmed very justly, that by the present defective system, a burden of tax is imposed "so onerous as to become a cause for alarm and discontent;" that an unnecessary antagonism is created between the agricultural, manufacturing and commercial interests; that a great variety of corporate and other interests escapes taxation; that public sentiment acts so directly upon the officers charged with the duty of assessment, as to impair the execution of their duties as required by the law. It is therefore asked, that a commission be appointed to make a careful investigation of the subject. The other memorial urges the necessity of giving to the city of New York a representative in the Board of State Assessors. It sets forth the fact that the State Assessors, in adding to the valuation of property, have burdened it with new and unjust taxation. It also urges that New York city pays more than one-half of the entire State tax. As no reference is made in either of these documents to the notorious abuses and oppressive evils of the taxation of mortgages, we presume that the question will be taken up hereafter by itself. The agitation about the mortgage tax is very active in almost every wealthy State of the Union. We shall in an early number recur to this subject, and trace the course of recent legislation in New Jersey and elsewhere.



In our February number, page 678, we refer to the decision of the Supreme Court of California in 1872. Another decision has lately been rendered, declaring the mortgage tax invalid. We commend the attention of all fiscal reformers to the principles and rules laid down in this case. It is entitled "*The People vs. The Hibernia Savings and Loan Society*," and the opinion of the Court was delivered by Mr. Justice McKinstry, three other Judges concurring and one dissenting. The principles laid down in this opinion are undoubtedly sound, and they cannot fail to exert a salutary influence on the fiscal legislation of the various States.

The evils resulting from the taxation of mortgages are so notorious, and the necessity is so generally recognized of protecting the community against them, that we need not be surprised if the agitation for their repeal should receive a remarkable impulse during the next five years. Meanwhile the decision of the California Supreme Court will be frequently cited, and is therefore otherwise worthy of careful perusal. It begins by citing the provision of the Constitution of California, which authorizes the taxation of real estate and personal property. There is nothing peculiar about this provision, which is substantially the same as that found in the Constitution of New York, and of the other States. It is cited by the Court as follows: "Taxation shall be equal and uniform throughout the State. All property in this State shall be taxed in proportion to its value, to be ascertained as directed by law; but assessors and collectors of town, county, and State taxes shall be elected by the qualified electors of the district, county, or town in which the property taxed for State, county or town purposes is situated. (Constitution of California, Article XI., Section 13.)

It is not generally known, that this brief section, which, as we have said, is substantially the same as the tax section of all the States in this country, comprises one of the most ancient tax systems in existence. It was brought to this country from England by the Pilgrim Fathers, and it prevailed three hundred years ago over the whole of Europe. It was contrived for a much simpler state of society than that which at present exists in Christendom. This ancient tax system has undergone many changes and reforms, the history of which in Spain, France, Germany, England, and other countries, would form an extremely interesting and instructive volume. The causes of these reforms arose partly from the growing spirit of liberty, and partly from the abuses inseparable from the system itself. As we shall presently see, these reforms were also favored by the heavy fiscal demands of the European governments, and by the absolute necessity of devising some better means of distributing the burdens of taxation, so that they would be more tolerable to the people. In this country, before the war, our taxation was so light that these reforming forces were never brought fairly into play. Hence it has happened that this ancient tax system, which Europe has either discarded or greatly improved, still remained in force in this country in its original crude form, and constitutes to this day our only fiscal system for State purposes.

This system assumes that the real estate and the personal property of a community constitute two fixed masses of wealth, which are divided up amongst the individual citizens, each of whom owns his share and is bound to pay his assessed tax thereon. The difficulties in the present day of practically carrying out this simple and crude view of the National wealth with its fiscal obligations, are analyzed with much clearness, and are applied to the mortgage tax with much force in the opinion of the Court, as follows:

"There is no provision in the political code of California which requires, in terms, that debts secured by mortgage shall be taxed. That code requires that all property shall be taxed, and section 17 declares: 'The words "personal property" include money, goods, chattels, evidences of debt, and "things in action."' Unless the provision of the Constitution above quoted restrains or limits the power of the Legislature, so as to prohibit the taxation of 'evidences of debt and things in action,' it is the duty of the assessors to assess not only mortgages, but all debts 'solvent' or not solvent, and also all rights of action, whether arising *ex contractu* or *ex delicto*. And this, first, because it is the established law that all property must be taxed, and the Legislature has no power to exempt any property; and second, because the Legislature has declared that all property shall be taxed, and attempted to include in the definition of property all choses in action. But to declare that it is the duty of the assessor to assess all 'things in action,' is to give a construction to the Constitution which must lead to the grossest absurdities. The Constitution in its application to the various departments of the Government, and to individual rights, must receive such a construction as to give it a practical operation. There would be a contradiction in the single section of the Constitution, if it were construed as requiring that all property should be taxed equally and uniformly with reference to its value, and that the word property includes those things practically incapable of an appraisalment, bearing any definite relation or proportion to other things or property. That causes of action are dependent on too many contingencies to be capable of appraisalment which shall accord with any rule of equality or uniformity of value, is too plain for argument. Yet the Constitution requires that all property shall be assessed on the *ad valorem* principle by local assessors. All property which is visible and tangible is capable of such assessment; choses in action are not. The word 'property' has been used in our language in several senses; but in the case in hand we cannot be limited to the meaning given it by the Code, but may also—and such is our duty—look for its meaning in the Constitution. The Constitution provides that no property, as property, shall be taxed, except such as is capable of a valuation by the assessors, which shall be ratably equal and uniform with that affixed to all other property. In *Houghton agt. Austin* (47 Cal., 661), it was held that taxation must be thus equal and uniform, and in *People agt. San Francisco Savings Union* (31 Cal., 138), that a valuation by an assessor is the very foundation of

proceedings for apportioning and collecting a tax on property. The 13th section of article xi. of the Constitution requires that each article of property capable of valuation shall be fixed or estimated, and the owner thereof made to pay a sum, which shall bear the same proportion to the whole amount levied as does the value of the particular property to the aggregate value of all the property in the State or tax district. Under our Constitution, therefore, the subject of taxation is the sum of all the values. Independent of other Constitutional restrictions, the State might take such portions of the wealth within its borders,—the burden being distributed with uniformity,—as the Legislative department might deem necessary for the support or defense of the Government. In this respect there would be no limitation, save that resulting from moral considerations addressing themselves to the consciences of individual legislators. Supposing—what would thus be possible in theory—that the necessities of Government required a tax of 100 per cent. on all values, or, what would be the result of such a tax, an appropriation of all the property in the State,—it is plain that the State would receive no benefit from evidences of debt due by some of her citizens to others, and payable out of the tangible property which the State had already taken.

“It is property in possession or enjoyment, and not merely in right, which must ultimately pay every tax. The Legislature may declare that a cause of action shall be taxed, but a cause of action cannot pay the tax; and this because it has and can have no value independent of the tangible wealth out of which it may be satisfied. In a certain sense a promissory note or any credit is property. Whether ‘solvent,’ as the term is ordinarily employed, or not, it may be assigned for value; it would be difficult, however, to explain why a note discounted at 20 per cent. would be less appropriately called ‘property’ than one sold at par. In any case, a credit has no value other than the value it has acquired by reason of the probability that the property, having present actual value upon which a tax is levied and collected, will be applied to the satisfaction of the claim it represents. He who has the property in possession must be taxed on its value, and the value once taxed cannot be re-taxed without a violation of the Constitutional provision that each value shall be taxed proportionately to the sum of all the values. The sovereign power of the people in employing the prerogative of taxation regards not the claims of individuals on individuals, but deals with the aggregate wealth of all; that which is supposed to be unlimited is here limited by an inexorable law, which parliaments cannot set aside, for it is only to the actual wealth that governments can resort, and, that exhausted, they have no other property resource. This is as certain as that a paper promise to pay money is not money. It may not be possible in every case to show that the debtor has paid the tax assessed to his creditor. But it admits of mathematical demonstration,—if the other property in the State has been assessed at its value,—that the money which shall ultimately satisfy the debt

(if it is ever satisfied) has paid its tax. If it were practicable to assess all the property in the State at the same moment of time, it would be clear to every mind that an assessment of a credit was an attempt to transfer to it a value elsewhere assessed. It may happen as the assessor goes his round, that the same piece of tangible personal property is in fact twice taxed; but in every such case the presumption is that the person he first found in possession has parted with it for its value; that when the second person is assessed the first has received other property of like value to that twice assessed; so that the uniformity required by the Constitution is maintained in effect. But if a debtor is found to be the owner of \$1,000, and is assessed for that sum, and his creditor is found to be the owner of his note for \$1,000, and is assessed for a like sum, and if the day after the visit of the assessor to the creditor the debtor shall pay his note, it is clear that the same value has been twice taxed, since the debtor has parted with his money and received only that which is certainly not taxable property in his hands, and which can never afterward be assessed. When a debtor pays his debt he does not abstract or destroy any portion of the taxable property of the State; the aggregate of values remains the same. In *People agt. Eddy* (43 Cal., 336), decided at the April term, 1872, this Court said: 'The word "property" is used in that section of the Constitution in its ordinary and popular sense, and this is the general rule in the interpretation of constitutions and statutes, unless the context shows that the words are used in a technical or some arbitrary sense.' With this general proposition I fully agree, but I am not prepared to admit that, in its vulgar sense, the word 'property' includes all choses in action. And I feel compelled to dissent from the statement which follows in the same opinion: 'There is no good reason to believe that the word was used in that section (section 13, article XI.) in a sense materially differing from that which it has in other sections of that instrument.' A single illustration will show that the foregoing is not literally correct. It has never been doubted in these arguments that gold and silver money is property which may be taxed. Such coins are more than promises to pay; they are composed of metals recognized as standards of value throughout the commercial world, and everywhere of purchasing capacity. But it has been repeatedly held that the clause of the Constitution (article I., section 8), 'nor shall private property be taken for public use without just compensation,' prohibits the taking of money. This reason is apparent. The compensation spoken of is money, and it would lead to an absurdity to say that money should be taken for the public only in case an equal sum of money should be paid to the citizen when the money was taken. Such is the uncertainty of human language, that it is absolutely necessary to consider the context, in order to determine the sense in which a particular word is employed, if it can ever be employed in more than one.

"The facts of the present case do not present any question as

to the power of the Legislature to require the payment of a specific sum by way of license for the transaction of a particular business, or the performance of particular acts. The views above expressed remove the objection heretofore resorted to, that the creditor cannot complain if the debtor shall pay a double tax. The creditor can always complain, because the credit should not be taxed at all, inasmuch as it has no independent value, and, therefore, cannot be taxed in proportion to such value (as part of the aggregate of value), in the manner required by the Constitution. And in the foregoing an effort has been made to abstain from any reference to the moral effects of a species of legislation which ordinarily transfers the burden or taxation from the lender to the borrower, and encourages misrepresentation and perjury, by permitting the collection of a tax to depend upon the oath of the creditor, based on his opinion of the solvency of his debtors. The case should be decided by reference to the power of the Legislature under the Constitution. I am of the opinion that 'credits' are not 'property' subject to taxation within the meaning of the section of the Constitution above quoted."

---

### DEFICIT IN THE BRITISH REVENUE.

We pointed out some time ago the probability of a falling off in the British revenue from the excise taxes, in consequence of the depression of trade and of the consumption of excisable commodities. The decline has been delayed longer than was anticipated, but it has begun to set in, and as the British Government finds itself at the same time obliged to increase its army and navy expenditure, the necessity has arisen for some new source of income. Accordingly, it has been decided to replenish the Treasury by an increase in the income tax from twopence to threepence in the pound. This is, of course, equivalent to an increase of 50 per cent. in this tax. Any heavy addition to the present fiscal burdens of the voting masses of the people would be a dangerous experiment. In the present stagnation of business, popular discontent would inevitably arise at any new impost. An ingenious expedient has, therefore, been contrived to render the new tax acceptable to the great body of the English nation. Up to the present time all incomes under £100 a year have been exempted from the tax. Hereafter the line of exemption is to be raised to £150. Moreover, a second principle of mitigation has been applied, by which every person who is assessed on less than £400 a year shall be allowed to deduct £120. Heretofore the deduction was only £80 from all incomes under £300. These two concessions will lessen the burdens and satisfy the wishes of a great number of the present tax-payers. And this, of course, in a popular Government like that of Great Britain, is one of the diffi-

cult problems it was needful to solve. It is computed that the new assessment of the income tax will yield nearly a million sterling. If so, it will about meet the deficiency in the estimates for the current year, and will bring up the revenue to the needful level of 78 million sterling. As this sum is the largest which has ever been raised by taxation in England, it may be interesting to review the gradual growth of the British taxation from the earliest period to the present day. We find the following statement from the Conquest to 1859 in the well-known work of Mr. Leone Levi, and we have added to his table the aggregates for 1860 and subsequent years:

## GROWTH OF TAXATION IN ENGLAND.

<i>Sovereign.</i>	<i>Reign.</i>	<i>British Currency.</i>	<i>United States Currency.</i>
William I.....	1066-1086	£400,000	\$2,000,000
William II.....	1087-1099	350,000	1,750,000
Henry I.....	1100-1135	300,000	1,500,000
Stephen.....	1135-1153	250,000	1,250,000
Henry II.....	1154-1188	200,000	1,000,000
Richard I.....	1189-1198	150,000	750,000
John.....	1199-1216	100,000	500,000
Henry III.....	1216-1272	80,000	400,000
Edward I.....	1272-1306	150,000	750,000
Edward II.....	1307-1326	100,000	500,000
Edward III.....	1327-1377	150,000	750,000
Richard II.....	1377-1399	130,000	650,000
Henry IV.....	1399-1412	100,000	500,000
Henry V.....	1413-1422	77,000	385,000
Henry VI.....	1422-1460	65,000	325,000
Edward IV.....	1460-1482	100,000	500,000
Edward V.....	1483		
Richard III.....	1483		
Henry VII.....	1485-1508	400,000	2,000,000
Henry VIII.....	1509-1546	800,000	4,000,000
Edward VI.....	1547-1553	400,000	2,000,000
Queen Mary.....	1553-1558	450,000	2,250,000
Queen Elizabeth.....	1558-1602	500,000	2,500,000
James I.....	1602-1622	600,000	3,000,000
Charles I.....	1623-1647	900,000	4,500,000
The Commonwealth.....	1648-1684	1,500,000	7,500,000
Charles II.....		1,800,000	9,000,000
James II.....	1684-1688	2,000,000	10,000,000
William III.....	1688-1701	4,000,000	20,000,000
Queen Anne.....	1701-1713	6,000,000	30,000,000
George I.....	1714-1727	7,000,000	35,000,000
George II.....	1727-1760	8,500,000	42,500,000
George III.....	1760-1820	15,000,000	75,000,000
George IV.....	1820-1830	70,000,000	350,000,000
William IV.....	1830-1837	58,000,000	290,000,000
Victoria I.....	1837-1859	56,000,000	280,000,000
".....	1859-1860	55,000,000	275,000,000
".....	1860-1861	70,283,674	351,418,370
".....	1861-1865	70,313,436	351,567,150
".....	1865-1870	75,434,252	377,171,260
".....	1870-1875	74,921,873	374,609,365
".....	1875-1876	75,625,000	378,125,000
".....(estimated)	1876-1877	78,000,000	390,000,000

## ARE CERTIFIED CHECKS TAXABLE?

Some agitation has been produced among the financial institutions of the Western States by the announcement that the banks of St. Louis had received a notice from the internal revenue collector of the First district of Missouri, stating that he is directed by the Hon. D. D. Pratt, Commissioner of Internal Revenue, to demand of them "supplemental returns of the average amount of certified checks issued by the bank during each semi-annual period from June 30, 1864, to date, for the purpose of taxation." It is well known that the law of 1864, which imposed a tax on certified bank checks, specifically declared that the tax applied to such certified checks as were "calculated or intended to circulate or to be used as money." In 1866 an attempt was made by some official of the Internal Revenue Department at New York to enlarge the lawful sphere of this impost, and to compel the banks to pay the tax on all certified checks. As hundreds of millions of these obligations are issued in this city, none of which are intended or fit to circulate as money, but simply to pass into the Clearing-House and no further, the over-zealous official did not succeed in his perhaps well-meant scheme, as his action was overruled at Washington. It was decided by the Secretary of the Treasury, after consultation with the Comptroller of the Currency and with the law officers of the Government, that the tax imposed by the law of 1864 on certified checks did not apply to such certified checks as are ordinarily issued in the business of New York, but that such certified checks only were taxable as were when issued to pass from hand to hand as money. As it is not at all likely that after ten years validity this ruling will be questioned in the United States, there is, no doubt, something of an exceptional character contemplated in the notice given by the efficient officers of the internal revenue in the Missouri district. This is the more probable, as we do not find that similar notices have been sent to the banks of any other Western cities than St. Louis. Certainly no such notice or claim has been presented to the banks of New York. Nor has any complaint reached us from any other quarter whatever. On the whole, we are inclined to infer from the facts, that there is little ground for the agitation which has been evoked. If the banks, either of the West or of other sections, have not paid their lawful taxes, of course they are just as amenable to the law after the lapse of ten years as at the time the taxes first accrued and were evaded. There is no statute of limitation by which Government dues of this kind can be outlawed or expire. It is also certain that if any of the banks in the United States have incurred a tax by the issue of certified checks under the law of 1864,

as interpreted by the Department at Washington, the checks in question must have differed in character and use from the ordinary certified checks in use in New York and elsewhere for clearing-house purposes, for all such instruments are and have always been free of every tax except the stamp tax. It has been suggested that the checks issued by the Cheque Bank of London, if they were issued by any American bank, would come under the description of checks intended to circulate as money. If so, these checks would of course be taxable under the law of 1864. As some of the Western banks have, we believe, published their intention to issue checks of this sort, the notice above referred to may, perhaps, have been thus elicited from the Internal Revenue Commissioner.

---

### WHAT SHALL WE DO WITH OUR SILVER ?

Connected with the subject of the precious metals is one consideration which is especially important at this time. We have nearly reached that point in the development of our National resources, from which we can see our emancipation from the state of dependence and thralldom to which we have so long been subjected, and there is no one agency which can render such immediate and powerful assistance as the wise use of our gold and silver products. North America is the great reservoir of the world, holding, it is firmly believed, three-fourths of all the gold and silver that in the coming century will be added to the world's wealth.

Judicious legislation will help us to reap this harvest, and the first problem that presents itself for our understanding is, why is it that we so often ship gold to England and so rarely receive it ? It is not to be answered by saying that we always owe England, for exchanges sometimes prove the contrary. The United States eagle contains 258 grains of gold of 900 fineness, and the English sovereign contains 123.274 grains of 916 2-3 fineness, showing that one sovereign is worth \$4.8665, which is the United States Custom-House par of exchange. It would thus appear that whenever sight exchange on London is sufficiently above that rate to pay for freight and insurance, we should export bullion, and whenever it is enough below to cover the same charges, we ought to import it. That is the theory. What is the practice ? Whenever sight exchange reaches \$4.89 the flow of gold commences—if gold is to be had,—and we would of course expect to see gold on its return when exchange is sold at \$4.84 ; whereas, during some months, when exchange was repeatedly sold at \$4.82, we did not receive a dollar, but, on the contrary, were shipping gold and silver every week, if not by every steamer. Bankers do not ship gold and silver for amusement, and not usually unless they see a clear margin for profit.



One evil has been in our Mint charges, which may be best explained by stating the custom at the French and English Mints. The system of seignorage, or stamping gold for more than it is worth, has practically disappeared, and the French Mint charges brassage, or, as nearly as possible, the coinage charges, which are limited to 6.70f. for a kilogram of gold, or about one-fifth of one per cent., at which rate the Mint has made a profit. The accuracy of their work is shown in that, in a coinage of 100 millions, the difference was only \$5. England nominally coins for *nothing*; *i. e.*, you can take gold to the Mint and have it coined, but the incidental charges will be more than the French brassage. There may be a little delay in France, though the Mint is obliged to coin one million francs a day. According to the law of the Mint in England, 40 pounds of gold, of the standard of 916 2-3, must make 1,869 sovereigns, and that number will be delivered after a certain time, and after making sundry charges for assaying, &c., amounting to about one-quarter of one per cent.; this gives of gold £3 17s 10½d. The delays and annoyances are so many that no one having bullion goes to the Mint, but to the Bank, which is obliged by law to purchase bar gold at £3 17s. 9d., payable in its own notes. Whenever the Bank knows that sovereigns are paid out for export, it is careful not to give new coins, as these are heavier. The Chancellor of the Exchequer in 1870 tried to change the system of free coinage, by substituting in future a mintage charge of one per cent., and, to our sorrow, it was voted down. He argued that, as coinage was free or nearly so, foreigners took advantage of it to export sovereigns, whereas, if by a coinage charge the sovereign be made dearer, it would not leave England. If he had studied the exports from England, he would have found that in the preceding ten years Great Britain had exported four times as much in bullion as in coin; while the United States, with their high Mint charges, had reversed the tables, exporting three times as much in coin as in bullion. We begin now to see the secret of exchange transactions. People will not import bullion when they must submit to a loss of 1-100 of it to have it exchanged into coin. The Chancellor said, "If we make coin one per cent. dearer, people will not export it; but if they are to be subjected to this charge, who will import the bullion to make the coin?"

I do not know what are the total expenses of the English Mint nor what the revenues derived from it; but they must be large, notwithstanding the nominal free coinage, for that is confined to gold, while silver is charged with a seignorage of 8 to 10 per cent. This is a specimen of class legislation: coining gold, the circulation for the rich, free, and taxing silver, the medium of the poor, to pay for it. As a consequence, British silver in the shape of coin is not exported, while we lose our silver as soon as it is melted, and our original standard, the old silver dollar, is hardly to be seen, except in a numismatic collection. These have always been coined, but where have they gone? They are as invisible to

Americans as though they had been remanded to their old home in the bowels of the earth. The Law of 1834 made the value of silver compared with gold as 15 to 1, but finding this proportion was not correct, Congress changed it. Without reference to the other nations of the world, which made the relative value  $15\frac{1}{2}$  to 1, we fixed it at 16 to 1, making our silver dollar contain 3.29 per cent. more silver than it ought to.

It is to the interest of every creditor that money be scarce, in order that he may obtain a good rate for that which he has to lend, and this end he attains in a twofold ratio, whenever he can succeed in limiting the number of articles which can be used in the payment of debts. Russia tried to institute the adoption of platinum for coin, and if she had succeeded in making that the sole standard, the National debts would have borne with crushing weight on every country in the world. The *tendency*—which, if it be only a tendency, is still too marked to be disregarded—is backed, as it always will be, by all the power of accumulated capital, which seeks to increase its productiveness and add to its accretion. While it may not be true that legislation has yet undertaken it, the *drift* is now directed towards having a single medium as a legal tender for the settlement of debts, and that medium gold; and it is to avert this that we would invoke all the force of public opinion. Degrade silver to the rank of merchandise, and you double the power of capital, a power that already is uncontrollable. We have a justice in demanding this recognition of silver, for the ounce of silver as truly represents the day's labor as does the pennyweight of gold.

Largely indebted as we are as a nation, and needing so much capital for the development of our internal resources, it is important, nay, essential, that we retain every measure of value that is safe; in other words, which will not unduly inflate values, and thereby create a greater evil than the one from which we are seeking to escape. Of the twenty-seven prominent Governments of the world, seven have adopted gold as the only measure of value; eleven have adopted silver, and the remaining nine cling to both silver and gold in a specified ratio, making them interchangeable. Great Britain, as the leading commercial nation, recognizes only gold, and had induced France, just before the downfall of Napoleon, to join her in establishing the same rule. The German war brought the recommendations of the Imperial Commissioners to a common grave with their Emperor, and the financial burden the French have to bear has led them to continue the double standard, which will tend to reduce the value of the franc. We see the altered condition of things brought about by the unexpected result of the war, in Germany as well as in France. Germany was a believer in silver valuation only, but this sudden surplus of wealth has converted her into an advocate of the gold valuation only. The world is so full of silver, and the present and prospective production so large, that the result of its demonetization by two or three of the prominent nations could not but be

injurious, if not ruinous, to some of the others, especially those who produce silver. The statistical tables of the imports of Great Britain show, that while her receipts of gold vary but little from year to year, those of silver increase steadily. This increase is not for the needs of coinage, as the records of the Mint for a series of years show that over 90 per cent. of her coinage is gold.

Twenty-five years ago we produced no silver, and now we are credited with one-half the entire product of the world. We are rapidly nearing the point when the value of our silver products will surpass the gold, and the disproportion will continue to increase at a rapid rate. Mexico, also, notwithstanding her constant internal troubles, which reduce her product to one-half of what it should be, and her export duty of  $4\frac{1}{2}$  per cent., constantly increases her yield. Under a single valuation, and that of gold, debased silver being used for small coin only, the amount of silver used can never exceed 20 per cent. of the circulation, and in England it is estimated at 12 per cent. The fractional currency which we now have in use affords a guide to the amount of silver coin we could absorb, and judging by that it would be only 6 per cent.

In our National monetary arrangements, it is our duty to consult only what is advantageous for us, and being so largely a debtor nation, and producing so freely of silver, it seems clearly our interest to maintain for ourselves, and strive to induce other nations to follow us in maintaining, the silver valuation. It is not wise in us to view the subject from the English stand-point, being as she is a creditor nation, and Australia producing hardly enough silver to make a tea-service.

There is another branch of this subject very closely connected with it, viz.: the unification of the coinage. This is a desideratum to us as it is to the rest of the world, but it does not so specially concern us, as does the matter of the proper working of our own Mint. Under the new law, which is a great improvement on the old one (reducing as it does the coinage charges on gold to one-fifth of one per cent.), more prominence will be given to the Mint, and any evils that exist will be more speedily remedied.

The great obstacle to the monetary unit has been Great Britain, and her objection lies more in her aversion to the introduction of the decimal system than the change of her coinage. Indeed, it has been argued by some of her wise men that it would be too difficult a task to make her people understand that it is easier to multiply by 10 than by 12.

We may with reason rejoice when the whole world shall have coins of one weight and fineness. Not only would it be a relief to escape the thousand exactions and annoyances which beset the traveler at every change of currency, but this unit of coinage would promote the introduction of a common standard of weights and measures, and would serve as an alphabet through which the differing nations might in time learn to speak a common language.

ARGONAUT.

## A CENTURY OF FINANCE IN THE UNITED STATES.

BY J. S. GIBBONS.

*(Continued from April Number.)*

## SIXTH PERIOD—1846 to 1856.

WALKER, MEREDITH, CORWIN, GUTHRIE.—*The Independent Treasury described by its godfather—Meredith proposes the repeal of the law—His views on the Tariff—The Treasury Department under Corwin—Incredible disorder in the accounts—Mr. Guthrie discovers over 132 million dollars in private hands and devoted to personal uses—The absolute loss of over 6 million—His views on the Tariff.*

The characteristic features of the Independent Treasury system of revenue management are contained in the following sentences of the Act of Congress passed August 5, 1846, sections 18 and 19:

“That all duties, taxes, debts, and sums of money accruing or becoming due to the United States shall be paid in gold and silver coin only, or in Treasury notes issued under the authority of the United States.”

“That every officer or agent engaged in making disbursements on account of the United States, \* \* \* shall make all payments in gold and silver coin only, or in Treasury notes issued” as aforesaid.

The entire bill is composed of near thirty sections, of which all but the above sentences relate to merely formal and auxiliary methods of administration to carry out the general purposes of the Act. It went into effect on the 1st of January, 1847. Although on the face of it it seems to be a very simple and innocent document, it is clothed with sinister and fatal powers over the commercial and industrial interests of the nation, as will be seen hereafter.

Prior to 1847 the revenues were collected in the current medium of commerce: that is, in bank-checks or bank-notes, not any part imperatively in coin, although the whole was convertible with coin, and therefore its equivalent, excepting in those intervals when the banks were compelled to suspend specie payments. Being deposited in banks, the collections did not disturb the circulation, nor cause any abstraction of capital from the uses of commerce. The Government was no more than a merchant on a large scale, making deposits and drawing checks, with no more right than an individual to absorb an undue proportion of the common instrument of exchange, thereby subjecting the community at large to embarrassment and loss.

The scientific rule of financial administration is indicated by the nature and functions of money, for there must be a correlation between the instrument and its use; otherwise disorder will be the result. The first proposition that presents itself with respect to the nature of money is, *repetition of service*. The second is, *quantity*. And hence, since these two propositions are mutually dependent, any rule or practice that conflicts with that dependence must necessarily be destructive of the purpose which money is intended to answer; and the whole credit system inevitably falls into confusion. For example: if the financial organization of the country be such as to effect five circuits or repetitions of use in a day, and if the quantity of money required to complete all the exchanges of a day be one thousand million dollars, it is then obvious that this quantity will be supplied by two hundred million dollars of currency. As a corollary of this proposition, it is plain that the effect of deficiency in the organization or machinery of exchange must be in a compound ratio to the original terms; that is to say, if the repetition of service be reduced from five times to three times a day, the injury to business must be such as follows by a reduction of the means of exchange from one thousand million of the medium to six hundred million. It may readily be conceived that such a reduction of the base on which the superstructure of commerce is reared would induce a violent panic. Our experience supplies abundant evidence of the truth of this reasoning; and such precisely was the effect wrought by the new fiscal practice of the Independent Treasury. The year 1847 was a year of disaster to commerce—a running panic. The balance in the Treasury on the 1st of July was \$38,261,959, from which, however, must be deducted the amount distributed to the States in 1837, viz., \$28,101,645,\* leaving an actual balance in coin of \$10,160,314. For that time, the permanent abstraction even of so small an amount from the support of the common credit of the country proved a serious drawback to the stability and certainty of transactions by which public confidence is chiefly assured.

One of the arguments put forth by the advocates of the Independent Treasury was, that the deposit of the public revenue with banks contributed to the frequent and inordinate expansion and contraction of the currency. What was called the *revenue* was nothing more or less than the floating medium of commerce; in plain words, *current money*. The practice, when banks were fiscal agents of the Government, did not allow this money to be abstracted from the service of trade for a single hour. If a merchant had one hundred thousand dollars to pay in duties, he drew a check on the bank where he kept his account, and the Collector of Customs deposited it on the same day, perhaps in the same hour, in the bank where the Government account was kept. Here it became instantly a part of the general basis of loans to commerce and trade. The only change that took place was a change of the current balance of

\* The theory of the public accounts at Washington absurdly requires this amount to be included in the report of all the balances on hand, thereby deceiving the country.

account between the banks concerned. It served precisely the same use in both. There was neither contraction nor expansion. But in the practice of the Independent Treasury there was a positive abstraction of the amount from commercial use, and an indefinite sequestration thereof, until it might be restored by the official disbursements. From this example, which is the exact course of every receipt and payment under the system, it appears that the method is patently open to the objection preferred against the banks, while the banks are entirely free from it. In his report of 1845, Secretary Robert J. Walker, under whose auspices the Independent Treasury was established, indicated the policy of the dominant party (Democratic) as follows:

"The only proper course for the Government is to keep its own money separate from all banks and bankers, in its own Treasury,—whether in the Mint, Branch Mints, or other Government agencies,—and to use only gold and silver coin in all receipts and disbursements. \* \* \* Various forms of paper credit have been suggested as connected with the operations of the (Independent) Treasury, but they are all considered as impairing one of the great objects of such a Treasury, namely, an augmented circulation of specie. \* \* \* With the Mint and Branch Mint as depositories, the sum remaining in the hands of other receivers of public money, whether of lands or customs, would be inconsiderable, and the Government could be readily protected from all losses of such sums by adequate bonds, and the power by law to convict and punish as criminals all who embezzle the public moneys. It is believed under such a system, that no defaults would take place, and that the public moneys would be safely kept and disbursed in gold and silver. \* \* \* This Government is made by the Constitution, the guardian of a specie currency. \* \* \* It is a currency that will lead to no extravagant speculations at one time, to be followed by certain depression at another."

The claims of the Independent Treasury system are here set forth by the master under whose hand the organizing act was framed. After an experience of thirty years it has not justified a single pretension assumed for it in the beginning. It has not promoted the increased circulation of specie. It has not prevented the embezzlement of the "public funds." It has not given stability to commerce and trade. It has not been a bar to excessive contraction and expansion of the currency, nor has it advanced one step towards the great desideratum,—scientific financial organization. It has not developed a single law or principle of fiscal economy, otherwise than adversely, by its violation. It has not, even by accident, established a single correlation in finance, without which there can be nothing but chaos. On the contrary, it has failed in everything it promised. Instead of promoting an increased circulation of specie,—the most conspicuous claim set up for it by its advocates,—it has directly diminished it by the main-

tenance of a barren hoard of coin in the Treasury vaults, fluctuating from 5 million to near 200 million dollars.

The following table exhibits the current balances of gold coin sequestered from the uses of commerce by deposit in the Independent Treasury from 1847 to 1861. The law was then so modified as to allow again the partial employment of banks as fiscal agents of the Government. It is important to observe that the law recognized no currency but gold or silver coin, and that it admitted of nothing short of its positive transfer in substance, the bearings of which will be shown hereafter.

1847.... July 1.....	\$4,977,631 ..	1855.... Apr. 1.....	\$21,285,760
1848.... " .....	1,314,968 ..	" .... July 1.....	18,931,976
1849.... " .....	2,184,964 ..	" .... Oct. 1.....	22,112,519
1850.... " .....	6,604,544 ..	1856.... Jan. 1.....	22,425,385
1851.... " .....	10,911,645 ..	" .... Apr. 1.....	23,779,611
1852.... " .....	14,632,136 ..	" .... July 1.....	19,901,325
		" .... Oct. 1.....	23,151,842
Average .....	\$6,770,981 ..	1857.... Jan. 1.....	20,386,632
JAMES GUTHRIE, SECRETARY.		Average .....	\$22,710,360
1853.... July 1.....	\$21,942,892 ..	HOWELL COBB, SECRETARY.	
" .... Oct. 1.....	28,217,877 ..		
1854.... Jan. 1.....	21,828,852 ..	1857.... Apr. 1.....	\$23,535,723
" .... Apr. 1.....	28,775,630 ..	" .... July 1.....	17,710,114
" .... July 1.....	20,137,967 ..	" .... Oct. 1.....	14,925,604
" .... Oct. 1.....	25,485,939 ..		
1855.... Jan. 1.....	22,291,187 ..	Average .....	\$18,817,574

The table is given in three sections, to show the action of the Independent system of revenue management at its best, which was under the Secretaryship of Mr. Guthrie, from March, 1853, to March, 1857. The full significance of the balances is not to be determined by their amount only, since, while the general average for eleven years was but 16 million dollars, the transaction in exchanges for the same period amounted to near 800 million dollars. That is to say, the real amount of gold and silver coin sequestered from the uses of commerce by its stagnation for a longer or shorter time, was \$779,604,506. The average represents only the level of the dam; it does not measure the quantity of water poured into it or the quantity discharged.

During the Secretaryship of Mr. Walker, the Government was completely in the hands of the Democratic party. The new revenue system was administered by its own authors and friends without opposition from any quarter; but it exerted no beneficial influence on the affairs of trade and industry. The first year of its operation was one of ruinous losses to commerce. The country at large was a prey to all the evil consequences of financial disorder. The people became dissatisfied, and in the elections of the following year (1848) returned the Whig party to power.

William M. Meredith, of Penn., was appointed Secretary of the Treasury in March, 1849. Being of an opposite school of politics to that of his predecessors, he brought into the Depart-

ment ideas and principles of an entirely different character. But the fortuity of a President's death for the second time within ten years robbed the Whig (Republican) party of the fruits of a National victory at the polls, and secured the continuous ascendancy of the Democratic party. Thus, notwithstanding the success in two Presidential campaigns of the anti-Independent Treasury policy, the authors and friends of that policy were able to fasten it upon the country as a permanency, with all its attendant disasters of a disordered currency, a tottering credit, and the periodical suspension of specie payments.

Mr. Meredith suggested to Congress, in the only financial report which he had the opportunity of presenting, the repeal of the system; and this desirable end might have been accomplished under his able direction, but for the antagonistic surroundings which compelled him to resign his office. The economical state of the country at that time was very urgent and critical. The addition of sea coast by the annexation of Texas to the United States largely increased the preventive revenue service, and added greatly to that of all its bureaus. There were 110 collection districts, of which eighteen returned no income, and were therefore a charge on the Treasury. There were 36 other districts, of which the expenses were greater than the income, and only 56 that returned gross receipts above expenses. The war with Mexico had added 64 million to the National debt. Mr. Meredith proposed changes in the tariff, "with a view as well to the necessary augmentation of the revenue as the encouragement of industry. I think it right," he said, "to present distinctly the views entertained on the latter subject, in the hope that a course may be adopted which may tend to harmonize discordant feelings, and promote the general prosperity. \* \* \* I find no obligation written in the Constitution to lay taxes, duties, or imposts at the lowest rate that will yield the highest revenue. As, under the power to regulate commerce, it is competent for Congress to enact a direct and total prohibition of the importation of any article, it can be no objection to an act levying duties, that it may operate in partially preventing importation. Whether it be wise or just so to levy duties is another question. All legislation designed to favor a particular class for the benefit of others, is manifestly unwise or unjust. As every producer in one branch of useful industry is also a consumer of the products of others, and as his ability to consume depends upon the profits of his production, it follows that to give prosperity to one branch of industry is to increase that of the rest. Whether we can have workshops to work up at least our own materials, must depend upon the question whether we have or can obtain sufficient advantages to justify the pursuit of this kind of industry. The circumstances favorable to production in this country may be stated to be: 1. Facility in procuring raw material; 2. Abundance of fuel and other articles necessary for the sustenance and housing of the laborer." This statement may be considered as marking the general adverse ground of the Democratic party.



The warehousing system, from which it was supposed a material increase of revenue would be derived, after three years of trial, had failed to meet the expectations of its friends. Mr. Meredith declared it to be nothing more or less than "a return to the system of credit upon duties, under a new name and form; and it was apparent that it had not been beneficially felt in the general business of the country."

Mr. Meredith gave the result of his investigation into the practical working of the Independent Treasury system, by pronouncing it a signal failure. Instead of promoting the circulation of coin it had the opposite effect. On this and other grounds he suggested the repeal of the organizing law. The death of the President having involved a change of Cabinet officers, Mr. Meredith found himself in a position where it was impossible to carry out the principles of economy on which depended, in his firm and conscientious convictions, the prosperity of the country. They were the principles to which Hamilton had given practical form and success. Therefore he resigned his office, and was succeeded, June, 1850, by Thomas Corwin, of Ohio.

The several years following the retirement of Mr. Meredith were characterized by a general looseness of affairs in the Treasury Department, the natural consequence of the absence of any settled principles of economic administration, of which the country at that time stood in sore need. The elements of disorder and dissolution permeated every part of the Government, legislative and executive. The documentary financial history of Mr. Corwin's term of service, from June, 1850, to March, 1853, is more instructive by its deficiencies of record than by any positive data furnished in the Treasury reports. The succeeding term of James Guthrie, of Kentucky, exposed the mischief and did much to correct it.

Mr. Guthrie was one of the ablest Secretaries to whose hands the affairs of the Treasury Department have ever been committed. Although a decided enemy of banks and paper money, and a declared friend of the Independent plan of revenue management, he was not blind either to the merits of the former, as far as they represented legitimate credit, nor to the defects of the latter. His first act was directed to the depletion of the Treasury, which he found surcharged with an excessive barren hoard of coin. The balances which it had been judged sufficient to keep on hand against possible emergencies had never been greater than 7 million dollars. From 1791 to 1797, one million was their maximum range; from 1797 to 1813, the average was four and a half million; from 1813 to 1836, it was seven million, and from 1836 to 1846, it was about six and a half million.\* When Mr. Guthrie took charge of the Department, he found a balance of 22 million dollars of specie stagnated in the Treasury vaults.

\* In the official reports of the Treasury, the old surplus of revenue, which was distributed to the States, is still included in the "balance on hand," making every balance at the end of each fiscal year appear to be more than it really is by \$28,102,645. Why this absurd falsity is kept up it is difficult to explain. [In this article that surplus is subtracted, giving the genuine balance in every case.]

"The daily payments at the Treasury," he said in his report to Congress, "did not equal the receipts. A large surplus accumulated, and became a source of alarm in commercial and financial circles. It was hoped that the accumulation would exercise a beneficial restraint upon importations and speculative credit enterprises, and bring the business of the country into a safe and wholesome condition; yet, under the apprehension that a panic might arise from a too stringent operation of the Treasury, it was determined to make advances to the Mint for the purchase of silver for the new coinage, and to enable the Mint to pay promptly and in advance of coinage for gold bullion."

Not only was this done, but notice was given that the redemption of the public debt would be hastened in advance of maturity, for the purpose of relieving the market. In pursuance of an Act of Congress, Mr. Guthrie persistently applied the accumulations of the Treasury to the purchase of the public loans at the current market rate. It is worth while to give Mr. Guthrie's own words in reporting this transaction to Congress:

"The public debt," said Mr. G., "on the 4th of March, 1853 (the date of his assuming office), amounted to the sum of \$71,879,937.27. It has since been reduced, up to the 15th day of November, 1856, to the sum of \$30,963,909.64. In making this reduction, the sum of \$40,916,027.63 has been paid for the principal thereof, and \$4,609,882.31 for premium, saving the sum of \$14,606,441.39 by paying in advance."

That is to say, the interest of the redeemed part of the debt would have been that much more than was actually paid, if it had been allowed to run to maturity. It is to be observed, that the Secretary, while making it a cause of congratulation to Congress, that a return of the sequestered fund to the uses of commerce saved commerce from the disasters of panic, overlooks the fault of sequestration itself, by which the conditions of panic were created; and thus gave a demonstration of the incongruity of the method with all sound and scientific principles of financial administration. "For the purpose of relieving the market," says Mr. Guthrie! And for this purpose he violated both the letter and the logic of the Independent Treasury law!

The radical idea of the system was "to keep the money of the Government (duties, taxes, &c.) separate from the money of commerce,"—a fiction injurious to every interest of economy, in proportion as the separation could be made real. What were "the revenues" of commerce, in fact? In what form did they exist? Certainly not in the money (gold and silver), which was the mere instrument of their discharge! Was not this instrument ordained by the Constitution the tender and measure of value for the common use! An Act of Congress might indeed abstract it from its legal office, and cause it to be locked up in vaults, but it could not ward off the mischief that must ensue from such a violation

of law. This was, in effect, a fatal incongruity in the Treasury Act itself, which made the Government an offender against its own statutes. The abstraction from use of that to which a specific office is assigned, must of necessity invalidate the office, and introduce an element of corruption in all its relations. It stands proved by the act of Mr. Guthrie, that the efficacy of the instrument by which the revenues were paid consisted in its return to the service of commerce—or more properly, in not interrupting that return by cutting it off at the customs, and destroying its normal and specific purpose, *circulation*. Every economist since the days of Adam Smith has perpetually repeated the maxim which John Stuart Mill has pronounced axiomatic, that the taxes or revenue in any form must be kept out of the uses of commerce *for as short a time as possible*. The fiction of the Independent Treasury consists in the impossibility of its pretensions to keep two things apart which are identical in their nature and functions, and most efficient when most closely allied.

But if the Independent Treasury failed in its logic, it failed more sensibly still as an experimental method of preventing the public funds from being diverted to private use. Mr. Guthrie had scarcely taken possession of his Department, when he discovered that near 3 million dollars had been deposited with agents, on an agreement to transfer certain sums to different places of deposit, which, together with \$2,226,982, "unaccounted for and designed to pay interest," made 5 million dollars out of legal custody. Mr. Guthrie recovered it fortunately, by taking in part "a pledge of stocks of various descriptions" as security, and allowing time for its restoration. Another sum of \$100,000 in specie had been intrusted to private care for delivery in Ohio, which proved a total loss. But these were trifling matters compared with the retention, to use a mild term, by Custom-House officers, postmasters, and other agents of the Government, of the moneys collected by them. "Upon examination," said Mr. Guthrie in his report to Congress, "it was found that the accounts of collectors were rendered quarterly, but did not generally reach the Department until about the termination of the succeeding quarter, and were not settled by the accounting officers for some seven, eight, nine, or even more months from the end of the quarter for which they were rendered. This left unsettled accounts with collectors of the customs for at least two-thirds of the annual revenue from that source,—say 30 million dollars,—and left in the hands of some of them large amounts until the settlement of their accounts." The sum total of defaults in payment, the same being withheld from the Treasury *for private use and speculation*, reached the astonishing figure of \$132,521,704! Nothing of the kind had ever arisen under the old plan of employing banks as fiscal agents. And yet this was the method devised for the special purpose of keeping the "public moneys" sacred from the grasp of unfaithful officers for their private use! The following table exhibits these defaults in a classified form, as they stood on the 4th of March, 1853:

<i>Office in which the defaults originated.</i>	<i>Amt. of default.</i>
First Auditor, on account of old internal revenue and direct taxes, miscellaneous receipts and expenditures, customs, light-houses, and marine hospitals.....	\$90,339,594.96
Second and Third Auditors, on account of War Department....	18,331,151.02
Fourth Auditor, Navy Department.....	9,086,335.46
Fifth Auditor, foreign intercourse.....	12,622,534.59
Sixth Auditor, Post-Office.....	466,619.45
Commissioner of General Land Office.....	1,675,468.61
	<hr/> \$132,521,704.09

The first act of Mr. Guthrie on this astounding disclosure, was to issue a letter of instructions, requiring all collectors, postmasters, and revenue agents to render monthly reports, and so successfully did he carry out the plan, that "the accounts for the month of September, 1853, except those of the Pacific coast and some small districts on the Atlantic, were rendered and settled within the month of October," thus proving it to be entirely practicable.

In a letter to the chairman of the Senate Committee on Retrenchment, April 17, 1856, Mr. Guthrie wrote, with respect to the above "arrears," as he tenderly described them, that "up to December last, settlements and collections had been made, reducing the amount to \$24,793,133." It was further reduced within a short time to \$23,898,952. It was then ascertained that \$6,213,345 was "utterly lost to the Government by the death of the parties or by hopeless insolvency. In his last official report to Congress, of December, 1856, he wrote:

"A strict examination into the origin and history of these deficiencies would make it manifest that the public money was heretofore devoted to private use, and allowed to remain unaccounted for until, in many cases, the parties became insolvent, and, in order to cover sums wasted and lost by private use, set up unfounded claims for credits and services. This habit of applying the public money to private use had become so established as to be considered allowable, and no disgrace to the officer; so much so that the offices were sought for the use of the public money, more than for the honor of the office and its salary. The Independent Treasury Act was intended to remove this practice, inculcate sound and honest principles, and brand the delinquent officer with crime. To have this effect it must be rigorously enforced. No one is worthy to have or retain public office who does not acknowledge that principle.

\* \* \* There is no limitation to the presentation of claims against the United States, and claims disallowed in whole or in part, are presented again and again, upon the same or but slightly varied statement of facts. There are precedents in the Department allowing their reëxamination, and large sums have been paid upon claims previously presented, adjudicated upon, and disallowed."

As in all similar cases of abstraction and misapplication of the revenues, the origin of the various defaults discovered by Mr. Guthrie was found to be connected with an incompetent clerical service. When such offenses are contemplated, the guilty parties uniformly seek to shield themselves in advance, by taking advantage of technical deficiencies in the law, under cover of which their plans of robbery are greatly facilitated. For example, there was no act of Congress declaring the books and records of the Custom-House to be public property. Common sense and com-

mon honesty alike, as well as uniform practice among honest people, might be deemed sufficient in such a matter without an express law, but Mr. Guthrie found that "it had been customary in many of the districts for the outgoing collector to carry away the books and papers, on the pretense that they were private property, because purchased out of the emoluments of the collector under the regulations of the Treasury." He issued immediately a Treasury circular, putting a stop to the practice. In some cases where the books were carried off, investigation was made, and the motive of the trick was at once developed. The collector at Oswego had suppressed entries to conceal a theft of \$75,000; the collector at Cleveland ditto of \$115,000; the collectors at Toledo and Milwaukee, of \$5,000 and \$3,000 respectively. These defaults were further facilitated or concealed by the clerical disorder in the bureaus at Washington. For example, in the Third Auditor's Office, there were, on the 1st of June, 1853, 1,028 quarterly money and property accounts of disbursing quartermasters unsettled, some of which had remained so for near twenty years. In the Fifth Auditor's, "many hundred statements and vouchers" were missing and could not be found. In his last report (1856), Mr. Guthrie published a statement of defaults and losses, of which, for example, a few only are here inserted:

	<i>Defaulters not found. Dead or insolvent.</i>		<i>Amount.</i>
In Navy Department .....	97	106	\$1,400,000
In War Department .....	331	535	3,000,000
In Customs .....	4	48	600,000
Miscellaneous .....	18	162	1,300,000
Banks, (39 in number).....	..	31	2,800,000
			<hr/> \$9,100,000

About \$1,700,000 of the debts from banks was recovered. The remainder was a total loss. These accounts were mostly within the period from 1820 to 1840.

On the subject of the tariff Mr. Guthrie wrote as follows:

"I have considered that foreign nations are not prepared for the same free trade we enjoy with each other, and that we cannot have reciprocal free trade without their consent; and that until they agree to admit our productions free, it would not be expedient to admit theirs free, and allow them to tax our labor when we do not tax theirs in return. I have considered that free trade, if expedient, should be approached gradually, and *pari passu* with the advance to that end by foreign nations, and that the modification and reduction of the revenue would be a movement in the right direction, which might be followed when experience and the condition of our commerce with other nations might justify it; but that for many years to come our National Treasury would be supplied from a tariff on imports, and that we should make it as equal and just as possible to ourselves, and take away the discrimination now existing against us, principally arising out of the legislation of other countries in contravention of the industry of our own people."

[Conclusion in June Number.]

## THE NEW CONSTITUTION OF TEXAS.

The new Constitution of the State of Texas, having been ratified by a vote of the people, became, on the 18th of April, the organic law of the State. Those of its features which will be scanned with special interest by the financial public are the following:

The control over the public money, which is exercised by the representatives of the people, is subjected to a careful restraint. No debt can be contracted in behalf of the State, unless it be "to supply casual deficiencies of revenue, repel invasion, suppress insurrection, defend the State in war, or pay existing debt." With a view to prevent undue extravagance, it is also provided that any debt created to supply deficiencies in the revenue shall never exceed \$200,000. The Legislature is allowed no power to lend or to give the credit of the State, nor is it permitted to make a grant of public money to any person, association, or corporation, except in case of "public calamity."

We regret to find that it has been thought necessary to retain a usury law as part of the fundamental law of the State. The legal rate of interest is fixed at eight per cent. per annum; contracts as high as twelve per cent. may be made; but beyond twelve per cent. all contracts are usurious, and it is ordered that "the Legislature shall, at its first session, provide pains and penalties to prevent and punish usury."

Immigration is encouraged by the protection of a "homestead" from mortgage and from forced sale under execution for debt, except such debts as may be incurred for purchase-money or improvements. It is provided that this "homestead," when not in a town or city, may consist of not more than 200 acres of land, with the improvements; and that when in a city, town, or village, it may consist of lands not exceeding \$5,000 in value at the time of their designation as a homestead, without reference to the value of any improvements thereon.

The Constitution leans decidedly towards protecting the debtor from his creditors, not only in forbidding imprisonment for debt, but also in declaring the right of every man to retain a certain amount of property free from the claims of creditors; and to the Legislature is committed the power and the duty of protecting a certain portion of personal property from forced sale. This policy resembles that of the State of Arkansas, whose Constitution declares that the personal property of any resident of the State, to the value of \$2,000, to be selected by himself, shall be exempted from sale on final process for the collection of debts.

## THE SAVINGS BANKS OF BOSTON.

There are in the territory at present comprised within the limits of Boston, twenty-one savings banks, of which fourteen are in Boston proper, including East and South Boston; two in Roxbury, the annexation of which took full effect in January, 1868; one in Dorchester, which became a part of Boston in January, 1870; one in West Roxbury, two in Charlestown, and one in Brighton, which last three towns became a part of Boston in January, 1874. According to the last report of the Savings Bank Commissioner, the condition of these institutions on the 31st of October, 1875, was as follows, cents being omitted:

<i>Bank and when Incorporated.</i>	<i>No. of Depositors.</i>	<i>Amount of Deposits.</i>	<i>Annual Expenses.</i>	<i>Pr. Ct. of Dep.</i>	<i>Dividend, P.C. Ordinary withest.</i>
Boston Five Cents 1854	70,787	\$13,322,537	\$38,954	.29	6 . * 7
Boston Penny .... 1864	7,747	1,184,984	7,363	.62	6 . †
East Boston ..... 1848	7,404	2,499,951	7,100	.28	7 . †
Emigrant ... .. 1870	8,834	2,760,304	11,362	.41	6 . †
Mercantile ..... 1861	12,478	4,755,161	16,088	.34	6 . † 7
North End ..... 1870	1,840	639,236	5,300	.83	6 . †
Mechanics' ..... 1874	1,583	410,056	7,702	1.88	6 . †
Franklin ..... 1861	10,133	4,670,796	16,089	.34	6 . * 6½
Home ... .. 1869	26,913	5,852,805	22,003	.38	6 . †
Provident ..... 1816	33,712	14,368,836	34,302	.24	5 . † 6½
South Boston ..... 1863	8,373	1,865,364	5,717	.31	6 . * 7½
Suffolk ..... 1833	19,256	7,801,979	20,831	.27	5 . † 7
Union ..... 1865	10,564	4,310,640	13,174	.31	6 . †
West Boston ..... 1867	9,192	3,348,809	11,322	.34	6 . †
Eliot Five Cents. . 1864	5,105	1,263,130	4,898	.39	6 . † 7
Roxbury Institut'n 1825	7,588	2,804,114	8,043	.29	6 . † 6½
<b>Total (16 banks)</b>	<b>241,512</b>	<b>71,858,710</b>	<b>230,255</b>	<b>.32</b>	<b>5.93 . 6.82</b>
Jamaica Plain ..... 1872	151	21,800	none		6 . †
Dorchester ..... 1853	1,822	577,712	2,500	.43	6 . † 7
Brighton Five Cts. 1861	795	215,940	2,522	1.17	5 . * 8½
Charlestown " . . 1854	9,009	3,111,103	5,000	.16	6 . * 7½
Warren Institution 1829	10,803	3,827,000	9,422	.25	6½ . †
<b>Total (21 banks).</b>	<b>264,092</b>	<b>\$79,612,267</b>	<b>\$249,700</b>	<b>.31</b>	<b>5.92 . 7.03</b>

\* Extra every three years. † Extra every five years. ‡ No extra. § Extra optional with trustees. ¶ Extra abolished in 1873.

The last column gives the average annual per cent. of dividends ending at the time of and including the last extra dividend, and the footings of the last two columns give the average of the rates above.

The oldest savings bank in the city or State—if not in the country,—the Provident Institution for Savings, founded in 1816, dates from a period when our savings bank system was in its infancy. Savings banks were just beginning to take root in Great Britain, where the first experiment of the kind was a "Children's

Bank," established in 1798. The Provident was incorporated about two years before the first savings bank established in France, and only thirty-eight years subsequent to the founding of the first similar institution of which we have any record. It is a little more than two years older than the oldest of the New York savings banks. Statistics respecting its earliest operations are scarce, but its first deposit was received in February, 1817, and from July 23 to October 15, 1817, it received \$19,709, deposited by 162 persons, giving an average deposit of \$121.66 to each person. For nine years it remained the only savings bank established within the present limits of Boston, and, with the prestige of sixty years of honorable and successful activity, leads all the other savings banks in the amount of its deposits.

In 1825, the Institution for Savings in Roxbury and its vicinity was chartered, and in 1829, the Warren Institution for Savings, named in honor of General Joseph Warren. These, with the Suffolk, formerly the Seamen's Savings Bank, chartered in 1833, remained, until the establishment of the East Boston Savings Bank in 1848, the only institutions of the kind within the present limits of Boston. In July, 1829, the deposits in the Provident Institution had reached \$947,594.53, standing to the credit of 7,032 depositors, giving an average to each depositor of \$134.75. In the three institutions then in operation in Boston, Charlestown, and Roxbury, the amount of the deposits must have been about \$1,000,000, the number of depositors about 7,500, and the average deposit to each about \$133. For the next seven years the savings banks shared the general prosperity of the country. In October, 1836, the number of depositors had increased to 15,759—about 105 per cent.—and the amount of the deposits to \$2,381,647, or about 138 per cent. The crisis of 1837 caused an interruption of this progress, and the next two years showed a decline, both in the number of the depositors and the amount of their deposits. Seven years later, in August, 1843, the number of depositors had increased to only 18,469, or 17 per cent. as compared with 1836, and the amount of the deposits to only \$2,891,099.25, or 21 per cent. When contrasted with the rapid growth in the previous seven years, this trifling increase sets in a strong light the severity of that crisis.

Down to 1854 there was, we believe, no savings bank in Boston which received on deposit a less sum than one dollar, and only two or three, if any, allowed interest on sums of less than five dollars. During this year three five-cents savings banks were established—the Boston, Charlestown, and People's. The special feature of their policy was the reception of deposits as small as five cents, and the payment of dividends on sums as small as three dollars. The utility of these provisions was soon apparent in the remarkable increase in the number of depositors, showing that the inducements thus held out were the means of attracting a class of savings which had not previously been utilized. In addition to this, the Boston Five Cents Savings Bank, the principal institution



of the kind, has been in the habit of keeping its establishment open on Saturday evenings, thus facilitating deposits by the laboring classes. These features of its policy, together with a favorable location and able management, have been the means of securing it more than twice as many depositors as any other savings bank in Boston. By its report of April, 1859, it appeared that out of 18,719 depositors, 5,668 had on deposit less than \$5. Nearly all the savings banks established since 1854 have followed the example of these in regard to the minimum amount received on deposit, and on which dividends are paid. The Franklin alone, of the banks founded since 1854, receives no deposit less than one dollar. A few banks pay dividends on deposits as small as one or two dollars. The Mercantile, which is distinguished from the others by having a capital stock of \$205,757.20, pays dividends on deposits for every full calendar month. Several others compute their dividends from the first of each month, but most of them pay no dividends on sums which have not been on deposit three or six months next preceding each dividend day. It is evident from the following comparison that those banks which adopt the five-cent minimum of deposit are in general more successful in attracting small depositors:

RECEIVING DEPOSITS AS LOW AS FIVE CENTS.		RECEIVING NO DEPOSITS LESS THAN ONE DOLLAR.	
<i>Bank.</i>	<i>Average to each depositor.</i>	<i>Bank.</i>	<i>Average to each depositor.</i>
Boston Five Cents .....	\$188	Provident Institution .....	\$426
Boston Penny .....	153	Franklin .....	461
Eliot Five Cents .....	247	Suffolk .....	405
Emigrant .....	312	East Boston .....	337
Home .....	218	Warren Institution .....	354
Mercantile .....	381	Roxbury Institution .....	369
Mechanics' .....	259	Dorchester .....	317
Union .....	408		
Charlestown Five Cents .....	345		
Jamaica Plain .....	144		
Brighton .....	271		

The banks which adopt the five-cent minimum are, with exceptions, below the average for the whole city, while those which receive no deposits less than one dollar are, without exception, above it.

The panic of 1873 brought a pressure upon all the savings banks. For several weeks the deposits were almost nominal, while the withdrawals, especially of the larger deposits, either from doubt of the solvency of the banks or for the purpose of making more profitable investments, were very heavy. Some of the banks paid as usual without notice; others required notice, according to their by-laws, of the withdrawal of large deposits; all responded to the demand for small deposits. No bank succumbed during the ordeal. The experiences of the past two years and a half have put these institutions to a severer test, causing the failure of one bank and runs upon one or two others. Except in the case of the West

Boston Savings Bank, all these demands have been satisfactorily met, and the distrust appears to have subsided. A few of the savings banks, in their anxiety to attract deposits by offering a high rate of dividend, have not been sufficiently mindful of the maxim that "high interest means bad security." The unhealthy competition for deposits has led to some loans on insufficient security, but the proportion of such is not believed to be large enough to impair the solvency of any bank now in good standing.

There have been but two failures among the Boston savings banks. One of these was the People's Five Cents Savings Bank, which became insolvent in 1859, by reason of a defalcation on the part of its secretary. The other was the West Boston, which was stopped a few months ago by an injunction from the Supreme Court. It is reported that by passing two dividends it will be able to pay in full. This is not, on the whole, a bad record for sixty years of savings bank operations.

It was formerly customary for the savings banks to pay a lower rate of ordinary dividend than at present. The annexed table shows the changes that have occurred in this respect during the last thirty years. Previous to 1854, the ordinary rate, so far as reported, did not exceed four per cent., while the average of all the dividends, including the extras, rose from 4.89 per cent. in 1846 to 7.85 per cent. in 1854. The crisis of 1857, which does not seem to have materially affected the general growth of the savings bank operations, resulted in reducing this average to 7.2 per cent in 1859, and 6.94 per cent. in 1862. Until about ten years ago, it had been the uniform custom of the banks to reserve a portion of their profits for an extra dividend every third or fifth year. In 1867 the West Boston Savings Bank was started on the principle of dividing the net earnings among all the depositors every six months, thus depriving itself of the advantage of having a surplus for emergencies. It is a curious fact that this very bank should be the first victim of the vicious practice which it inaugurated. Several of the banks which used to keep a reserve for an extra dividend have since followed the example thus set. No less than seven of the twenty-one savings banks in the city have adopted this system, while in three others, where the by-laws permit extra dividends at the discretion of the trustees, none has yet been declared.

The recent savings bank failures have led to a movement for the revision of the laws relating to these institutions, and imposing some further restrictions upon them. Among the most important provisions of the new act are those limiting ordinary dividends to  $2\frac{1}{2}$  per cent. semi-annually, or  $1\frac{1}{4}$  per cent. quarterly; requiring the banks at the time of declaring each semi-annual dividend to reserve from their net profits one-fourth of one per cent. of their deposits as a guarantee fund against losses in business until such fund shall amount to 8 per cent.; limiting the amount of the mortgage loans to 60 per cent. (formerly 75 per cent.) of the deposits on productive real estate, worth at least twice the amount

loaned thereon, and further restricting the investments in bank stock and on personal security. The act was at last advices pending before the Legislature, with a probability of its adoption.

We subjoin the following abstract of the returns from the savings banks embraced within the present limits of Boston since 1834, when the returns were first required:

<i>Date.</i>	<i>No. of Banks.</i>	<i>Amt. of Deposits.</i>	<i>No. of Depositors.</i>	<i>Average to Each.</i>	<i>Mean Or- dinary.</i>	<i>Dividend. Av. with Extra.</i>
Sept. 27, 1834 ..	4 ..	\$1,865,608.66 ..	13,057 ..	\$142.88 ..	..	..
May 30, 1835 ..	4 ..	2,114,316.39 ..	14,352 ..	147.32 ..	..	..
Oct. 29, 1836 ..	4 ..	2,381,047.62 ..	15,759 ..	151.13 ..	..	..
" 28, 1837 ..	4 ..	2,337,948.58 ..	15,384 ..	151.97 ..	..	..
" 27, 1838 ..	4 ..	2,315,087.25 ..	15,595 ..	148.45 ..	..	..
" 26, 1839 ..	4 ..	2,521,867.28 ..	16,661 ..	151.36 ..	..	..
" 31, 1840 ..	4 ..	2,581,086.34 ..	16,668 ..	154.85 ..	..	..
" 30, 1841 ..	4 ..	2,900,535.65 ..	18,162 ..	159.70 ..	..	..
" 29, 1842 ..	4 ..	2,857,015.59 ..	18,182 ..	157.13 ..	..	..
Aug. 26, 1843 ..	4 ..	2,891,099.25 ..	17,469 ..	156.54 ..	..	..
July 27, 1844 ..	4 ..	3,366,729.42 ..	21,322 ..	157.90 ..	..	..
Nov. 29, 1845 ..	4 ..	3,827,099.63 ..	23,457 ..	163.15 ..	..	..
Oct. 31, 1846 ..	4 ..	3,975,058.01 ..	24,229 ..	164.06 ..	4 ..	4.89
Sept. 25, 1847 ..	4 ..	4,153,174.53 ..	25,250 ..	164.48 ..	4 ..	5.89
" 30, 1848 ..	4 ..	4,300,895.64 ..	25,851 ..	166.37 ..	4 ..	6.89
" 29, 1849 ..	4 ..	4,303,186.39 ..	26,289 ..	163.68 ..	4 ..	6.89
" 28, 1850 ..	5 ..	4,779,846.90 ..	28,212 ..	169.42 ..	4 ..	6.51
May 3, 1851 ..	5 ..	5,350,795.34 ..	30,628 ..	174.90 ..	4 ..	6.81
Sept. 4, 1852 ..	5 ..	6,156,502.19 ..	33,656 ..	182.92 ..	4 ..	7.85
Oct. 29, 1853 ..	6 ..	7,831,465.22 ..	39,760 ..	196.97 ..	4 ..	7.85
Aug. 26, 1854 ..	9 ..	8,402,408.76 ..	47,045 ..	178.60 ..	4.2 ..	7.85
" 25, 1855 ..	9 ..	8,622,261.28 ..	50,578 ..	170.30 ..	4.33 ..	7.77
Oct. 25, 1856 ..	9 ..	9,757,901.62 ..	56,490 ..	172.73 ..	4.94 ..	7.57
Sept. 26, 1857 ..	9 ..	10,905,046.44 ..	60,479 ..	180.32 ..	4.56 ..	7.77
Oct. 30, 1858 ..	9 ..	11,504,095.76 ..	64,427 ..	178.56 ..	4.56 ..	7.39
" 29, 1859 ..	8 ..	13,168,101.62 ..	70,268 ..	187.40 ..	4.5 ..	7.2
" 27, 1860 ..	8 ..	14,885,020.14 ..	78,783 ..	188.93 ..	4.5 ..	..
" 26, 1861 ..	11*	14,350,872.39 ..	75,070 ..	191.17 ..	4.5 ..	..
" 25, 1862 ..	11*	16,237,715.03 ..	83,211 ..	195.14 ..	4.5 ..	6.94
" 31, 1863 ..	12*	18,689,438.77 ..	91,970 ..	203.21 ..	4.47 ..	6.87
" 29, 1864 ..	13*	20,849,657.89 ..	100,157 ..	208.17 ..	4.45 ..	6.75
" 28, 1865 ..	15 ..	20,272,675.93 ..	104,970 ..	193.12 ..	4.6 ..	6.78
" 27, 1866 ..	15 ..	22,246,229.27 ..	113,307 ..	196.33 ..	4.6 ..	6.70
" 26, 1867 ..	16 ..	26,527,384.89 ..	122,394 ..	216.73 ..	4.67 ..	7.66
" 31, 1868 ..	16 ..	31,114,207.47 ..	136,689 ..	227.63 ..	5.27 ..	7.79
" 30, 1869 ..	16 ..	36,545,776.92 ..	150,329 ..	243.10 ..	5.53 ..	8.08
" 29, 1870 ..	19 ..	44,088,485.79 ..	170,931 ..	257.93 ..	5.91 ..	7.84
" 28, 1871 ..	19 ..	54,809,409.24 ..	197,764 ..	277.14 ..	5.95 ..	7.82
" 26, 1872 ..	20 ..	63,198,110.48 ..	227,376 ..	277.94 ..	5.88 ..	7.71
" 25, 1873 ..	20 ..	68,136,740.66 ..	238,138 ..	286.12 ..	5.97 ..	7.44
" 31, 1874 ..	21 ..	73,322,368.56 ..	252,924 ..	289.89 ..	5.9 ..	7.2
" 30, 1875 ..	21 ..	79,612,267.84 ..	264,092 ..	301.46 ..	5.92 ..	7.03

The character of savings bank investments was very different forty years ago from what it is to-day. In 1836 only seven per cent. of the deposits in the Boston savings banks were invested in mortgages of real estate, against 40.1 per cent. in 1846, and 40.6 per cent. in 1856; in 1866 the proportion was only 25.9 per cent.,

\* This is the number of banks in operation. The returns embrace only 10 banks in 1861 and 1862, 11 in 1863, and 12 in 1864, returns not being required from the Mercantile Institution previous to 1865.

but in 1875 it had risen to 58.9 per cent. The change that has occurred in the last ten years is mainly due to the abolition of the usury laws, which previously hindered the banks from obtaining a sufficiently remunerative rate on this class of loans. The change has contributed greatly to building up Boston and its suburbs. In 1836 the savings banks held no public funds; in 1846, 22.7 per cent.; in 1856, 5.2 per cent., and in 1866, 35.5 per cent. of their deposits were so invested, while in 1875 the proportion had declined to 5.9 per cent. In 1836, 32.4 per cent. of the deposits were invested in bank stock; in 1846, 20.5 per cent.; in 1856, 18.1 per cent.; in 1866, 10.6 per cent., and in 1875, 6.53 per cent. In 1836 less than one-fifth of one per cent. of the savings bank deposits was invested on personal security; in 1846 the proportion was 16 per cent.; in 1856, 31 per cent.; in 1866, 19.4 per cent., and in 1875, 15.7 per cent. Loans on bank stock and deposits in bank bearing interest, which now figure for a comparatively small proportion of the investments in 1836, amounted to no less than 53 per cent. of the deposits.

---

## WAREHOUSE RECEIPTS AS COLLATERAL SECURITY.

A case was recently decided in the Court of Common Pleas, Cincinnati, which involves some points of interest to both bankers and merchants. In view of the growing extent to which warehouse receipts are being used as a basis for loans between banks and their customers, it is essential that the relations of the parties and their respective rights should be more clearly understood than is generally the case.

The suit in question was brought by N. G. Nettelton & Co., bankers, against Gerard & Co., pork-packers, both of Cincinnati, to recover a balance claimed to be due on a loan of money by plaintiffs to the defendants. The facts appearing on the trial were, that Gerard & Co., wanting money, applied to Morris & Reid, brokers, to obtain it for them. On previous occasions they had, through the same parties, obtained loans from Nettelton & Co., giving as security their warehouse receipt for meat. They required on this occasion \$7,000. Reid, instead of demanding the usual commission from Gerard & Co., agreed with them that if he should get \$13,500, he might retain \$6,500 for his own use, Gerard taking \$7,000. Gerard & Co. drew up a warehouse receipt for 200,000 pounds of meat. Reid with this went to Nettelton, and obtained a loan of \$13,500, giving his note for that amount with the warehouse receipt. This was in accordance with the practice of Nettelton when he loaned money, to take the personal note of the broker in addition to the warehouse receipt. Of the amount thus loaned, \$6,500 was subsequently repaid, and the balance fell due in the month of September, 1873. This balance not being paid, Nettelton went to Gerard's warehouse, and found that one-

half of the meat had been turned into bacon. Apprehending risk as to the identity of his security, he took possession of the meat and put it into another warehouse. The meat was held about one month on a falling market, and Nettelton notified Gerard that if the claims were not paid, the meat would be sold at a certain time and place, being the Chamber of Commerce, at the close of 'Change hours on a named day. The property was there sold at auction, and the proceeds not paying the entire debt, this suit was brought for the balance, \$2,700.

The defendants claimed they had no liability beyond the face of the warehouse receipts, and that the plaintiffs must recover, if at all, of Morris & Reid, whose note they held. They also claimed that the sale at the Merchants' Exchange was not a sale at public auction, as provided by statute, by reason of the fact that the Exchange is accessible only to members, and that the plaintiffs were liable to them for the market price of the pork at the time they took possession of it, and, by counter claim, they asked judgment for \$700 damages, the difference in the market price at the time the plaintiffs took possession and when it was sold.

Judge Force held: That in the first place, Gerard & Co. borrowed the money through the broker from Nettelton, and became his debtor. The broker's note to Nettelton was simply an additional security. The fact was, that Nettelton required the broker to be guarantor for the loan which he procured for his principal, (Gerard). As Gerard was indebted to Nettelton, and the latter held the warehouse receipt as security, when Nettelton took possession of the meat, because he reasonably feared that its change to bacon would risk his ability to identify his security, he still took it simply as security, and was obliged to account for the proceeds to Gerard & Co. The fact that he held it one month on a declining market does not turn the security into a purchase. Gerard might at any time have redeemed by paying the debt. The sale was one on account after proper notice, and was at a proper time and place for such a sale.

Hence, the sale was not a conversion, and did not discharge the debt. The balance left due after application of the proceeds to the claim of Nettelton, remains a debt due by defendants to Nettelton. Judgment was therefore rendered for the amount claimed.

---

**THE DEFINITION OF FORGERY.**—Among the cases brought in April before the General Sessions Grand Jury of New York City, was that of a clerk, whose employer had been accustomed to authorize him to fill up blank checks signed by the principal, for the purpose of discharging the current expenses of the business. On one occasion the employee filled up a check for \$2,000, afterward converting \$600 of it to his own use. The Grand Jury desired to know if this was forgery. There was no evidence that he filled the check with the intention of wrongfully using it, nor that he knew the amount of bills which it would be necessary to pay. Judge Sutherland charged that if an employee was authorized to fill a check for \$500 and made it \$5,000, it was forgery; and that if he knew the amount he inserted in the check to be in excess of that required it was forgery.

## THE LAW OF BANK CHECKS.

## I.—WHEN IS A CHECK ACTUALLY PAID? II.—TRANSACTIONS WITH A FAILING BANK.

A judgment of considerable importance has recently been rendered by the Supreme Court of California, in the case of *The National Gold Bank and Trust Co. vs. McDonald*. The question at issue was, whether a check drawn upon the bank in which it is deposited is to be considered actually paid as soon as it is entered to the credit of the depositor on his pass-book. In this case the defendant, McDonald, kept an account with the plaintiff, which, at the time of the transaction at issue, he had overdrawn. He handed to the receiving teller, just before the close of banking hours, his pass-book and a check for \$785, drawn upon the plaintiff by one Barton. The teller took the check and entered on the pass-book a credit for the amount. The plaintiff, discovering afterward that Barton's account was overdrawn, returned the check about one hour afterward to McDonald, notifying him that Barton had no funds in the bank, and the check was not good. McDonald refused to take back the check, on the ground that the bank had accepted it as cash, and had so credited his account. He therefore paid to the bank a sum sufficient to make good his own overdraft, less the \$785 credit in dispute. For this amount the bank brought suit, which was decided in favor of the defendant. The case was appealed to the Supreme Court, and the former decision has been reversed. In delivering the opinion of the Court, Mr. Justice Crockett thus sums up the points of the case and the principle at issue:

"At the trial the plaintiff proved, subject to the defendant's objection, that for many years there had been a usage in all the banks of San Francisco, by which, when checks were presented by a depositor to the receiving teller for deposit, he received the checks, whether drawn on that or another bank, and entered a credit for them on the pass-book; that the bank then collected the checks, and, when paid, entered the proper credits to the depositor on the books of the bank; but if a check drawn on another bank was not paid on due presentation, or if it was ascertained within banking hours on the same day that a check drawn on the same bank in which the deposit was made was not good for want of funds to the drawer's credit, the usage was to return the check to the depositor, and cancel the credit in the pass-book. On the defendant's motion this evidence was stricken out as inadmissible, and a judgment entered for the defendant, from which the plaintiff appeals.

"When checks on another bank are deposited with the receiving teller, and a credit for them entered in the pass-book, it is not contended that they are received as cash or otherwise than for collection. If not paid on due presentation, they may be returned, and the credit in the pass-book canceled. But it is insisted that a different rule obtains in respect to checks drawn on the same bank; and the argument is, that the officers of the bank must be presumed to know, and are chargeable with notice of the fact, whether the drawer has funds to his credit when the check is offered for deposit; that if, in fact, he

has no funds to his credit, and the receiving teller nevertheless receives the check and enters a credit for it in the pass-book, the bank must be held to have adopted the check, and to have received it as cash, assuming the risk of its being made good, and of the solvency of the drawer. The argument assumes that the mere fact of the receipt of the check by the receiving teller, and the entry of it in the pass-book, of itself implies an agreement by the bank to accept it as *cash*, and is to be deemed in law as equivalent to the payment of the check. The proof shows that nothing more was done in this case. The check was handed by the defendant's clerk to the receiving teller, together with the pass-book, without any remark so far as is shown by the evidence; and the teller made the entry in the pass-book and handed it back. If anything more occurred, the evidence fails to disclose it. Does this transaction, *of itself*, import an agreement by the bank to accept the check as *cash*? Is it, in law, equivalent to a payment of the check? There can be no doubt that if the bank, through its teller, expressly, or by reasonable implication from its acts and declarations at the time, agrees to accept the check as *cash*, and to enter a credit to the depositor for the amount, it will be bound by the agreement, whether the drawer of the check has funds to his credit or not. But the question here is, whether the mere receipt of the check by the teller and the entry in the pass-book, nothing more being said or done, of itself constitutes in law, or is to be deemed equivalent to, such an agreement."

After an examination of authorities, the opinion continues:

"The rule we intend to lay down is, that when a check on the same bank is presented by a depositor with his pass-book to the receiving teller, who merely receives the check and notes it in the pass-book, nothing more being said or done, this does not, of itself, raise a presumption that the check was received as *cash*, or otherwise than for collection.

"But it is contended that the late case of *Oddie vs. The National City Bank*, 45 N. Y., 735, is strictly analogous to the case at bar, and should be deemed conclusive of the questions involved here. But the opinion of the Court in that case must be construed with reference to the facts proved; which, in some important particulars, were quite different from the facts of the present case. In that case, *after* the check was deposited, and at a later hour of the same day, the drawer deposited a sum much more than sufficient to pay the check, and which was paid out on other checks, or applied to make good a previous overdraft. There are material discrepancies in the two cases; and the New York case may well have been decided against the bank, on the sole ground that it misapplied the fund deposited *after* the check was received. All that was said by the Court on points not necessarily involved in the decision of the cause, was, at most, but *obiter dictum*; and, notwithstanding our great respect for the learning and ability of that Court, we must decline to follow it in so far as it shall appear, if at all, that in the course of its opinion it has stated propositions inconsistent with those we have announced."

A case decided in the Wayne Circuit Court of Richmond, Indiana, is one involving some totally different points, which grew out of the failure of the Cook County National Bank of Chicago. This suit was brought by the First National Bank of Crown Point, Indiana, *vs.* The First National Bank of Richmond, Indiana, both creditor correspondents of the broken bank. The arguments were based upon an agreed statement of facts, which are, in substance, as follows:

On January 15, 1875, plaintiff received from Wiggins & Cheesman, of Hagerstown, Indiana, in payment of an indebtedness, their check on the Richmond National Bank of Richmond, Indiana. The plaintiff having at that time no correspondent in Richmond, remitted this check the next day to the Cook County

National Bank of Chicago, "for collection and credit." On January 18, the latter bank received the check and sent it by mail to the First National Bank of Richmond (the defendant), "for collection and credit." At the close of business hours on the same day, the Cook County National Bank suspended business and stopped payment.

On the morning of January 20 the check was received by the defendant, and was at once placed to the credit of the Cook County National Bank on the books of the defendant, before the latter had any knowledge of the failure of the Cook County Bank. On the same morning, between the hours of 9 and 11, the cashier of defendant presented the check at the counter of the Richmond National Bank, and drew thereon the sum of \$5,000 in currency. Before the presentation and collection of the check, the defendant's cashier and teller had a notice through newspaper reports of the failure and suspension of the Cook County National Bank.

The statement goes on to set forth the leading point on which the plaintiff bases his claim to recover, viz.:

Prior to and at the time of making this credit, the Cook County National Bank was indebted to the defendant in the sum of \$10,450.49. No part of this indebtedness, however, was incurred on the faith or credit of said check, and no consideration had passed between the defendant and said Cook County Bank in relation to said check, except the letter enclosing it for collection and credit, and no consideration was at any time given by the defendant for said check, except giving the credit aforesaid to said Cook County National Bank, unless the facts herein stated constituted one. Between the time of payment of said check and the hour of one o'clock of the same day, the cashier of the Richmond National Bank received from plaintiff a telegraphic dispatch in the words following:

"Refuse payment of a check for \$5,000 drawn by Wiggins & Cheesman, payable to my order. A. E. BUNDY, *Cashier*."

And therefore, said cashier immediately called at the office of defendant, and exhibited this dispatch to defendant's cashier and teller.

At the time of its receipt by the Cook County National Bank, the plaintiff was not credited with this check, and on sending it to the defendant the defendant was not charged with it on the books of said bank. But on January 23, 1875, the plaintiff was credited and the defendant charged with \$5,000 on the books of said Cook County National Bank by the person having charge of the same, such entries, however, being made without the knowledge or assent of plaintiff, unless the facts herein set out show such assent.

The judgment of the Wayne County Court was in favor of the defendant. The case has been appealed to the Supreme Court of the State, whose decision will be looked for with interest on this question, which is one of considerable importance.



## A SUGGESTION IN BRIEF.

*To the Editor of the Banker's Magazine:*

The following plan is offered for the consideration of your readers:

*First.* The Government to go out of the banking business by funding its legal tenders.

*Second.* Banks which may deposit Government bonds with the Treasurer of the United States, shall be allowed to issue for each hundred dollars of bonds ninety-five dollars of circulation, payable in coin on demand.

*Third.* The Government shall reserve the right to deliver at its option the bonds to note-holders of any bank which may fail, in lieu of redeeming the notes in coin.

The law of Congress, also, to provide that all taxes and licenses exacted from the banks shall not aggregate more than — per cent. of their capital, except on real estate held by the banks.

With this, the duty of the General Government would cease, and all other matters could be regulated by State authority.

This plan would give us a sound and homogeneous currency, and would protect banks against local and epidemic prejudices.

CHEYENNE, WY., March, 1876.

G. W.

---

A VOICE FOR "CONVERTIBLE" CURRENCY.

*To the Editor of the Banker's Magazine:*

Will the Editor excuse an old subscriber to the BANKER'S MAGAZINE, if he suggests to him that possibly the next century may witness as great improvements in currency as the last has witnessed in mechanical machinery?

That many generations of able financiers have found it impossible to redeem a hundred dollars of promises with anything less than one hundred dollars of the thing promised if demand is made, and that demand has been made, and suspensions of specie redemption have ensued at intervals of less than ten years for many decades in England and in the United States. That ridicule does not answer the arguments of those who believe it best to make scrip representing shares in the National debt the circulating medium—and this scrip exchangeable for Government obligations, or bonds bearing gold interest—which obligations or bonds may be re-exchanged for scrip or greenbacks.

Some subscribers to the BANKER'S MAGAZINE believe that this would afford an absolutely convertible or redeemable currency on a specie basis, something which the English system has never afforded.

Will the Editor of the **BANKER'S MAGAZINE** kindly insert this communication, in order that the bound volumes of the old Bankers' organ may bear evidence that some of its patrons entertain these views in this centennial year, and believe that financial wisdom has not been exhausted in producing the English system of bank-note circulation? S. M.

CHICAGO, March, 1876.

[We take pleasure in complying with the request of our correspondent, who is entitled to respect for the honesty of his opinions, however far they may be from agreeing with our own.—ED. B. M.]

## DIGEST OF RECENT LEGAL DECISIONS.

(From the *American Law Review*.)

**ALTERATION OF INSTRUMENTS.**—Defendant signed a promissory note, on the margin of which was written an agreement that it should be paid only on a certain contingency. The margin was cut off, and the note negotiated. *Held*, That the defendant was liable on it to a *bona fide* holder who had no notice of the alteration. *Zimmerman v. Rote*, 75 Penn. St. 188.

**BANK.**—A depositor in a bank, having overdrawn his account, was asked by the teller to make it good, and did so by paying money to him over the counter of the bank. In an action to recover the amount overdrawn, *Held*, That the bank was bound by the payment. *East River National Bank v. Gore*, 57 N. Y. 597.

**BONA FIDE PURCHASER.**—Bonds transferable by indorsement were indorsed in blank by the payee and transferred to plaintiff. Afterwards they were lost or stolen, the genuine indorsement was erased, and a new indorsement forged by a person who sold the bonds to defendant, who bought them *bona fide*. *Held*, That he took no title as against plaintiff (Dwight, C., dissenting). *Colson v. Arnet*, 57 N. Y. 253.

**CHECK.**—A tax-payer, having money in a bank sufficient to pay his taxes, gave his check for the amount to the collector, who failed to present it in due time. The bank failed, the collector returned the taxes delinquent, and the tax-payer was obliged to pay them over again. *Held*, That the collector was liable to him for the amount of the check. *Chouteau v. Rowse*, 56 Mo. 65.

### SUPREME COURT OF MAINE.

**PROMISSORY NOTE.**—1. A demand by the holder of a note payable generally may be made upon the maker in the street, the maker having no place of business, and raising no objection to the place where the demand is made. *King v. Crowell*.

2. The actual exhibition of the note at the time of the demand is unnecessary, if the holder then has it with him, and is not requested to produce it. *Ib.*

3. A notice upon the last day of grace on the indorser, after previous demand upon and refusal by the maker upon the same day, is not premature. *Ib.*

4. A note signed "A. B., Treas. for St. Paul's Parish," is the note of the parish. A material alteration of a note, in the hands of an indorsee, without the knowledge of the indorser, discharges the latter. *Sheridan v. Carpenter*.

5. An indorser, ignorant of facts accruing subsequently to his transfer of the indorsed note which operate to discharge him from liability thereon, paying its amount to the holder, upon discovery of such facts, can recover the sum so paid in an action for money had and received. *Ib.*

6. An offer to return the note to the defendant, made at the trial, is sufficient. *Ib.*

RESPONSIBILITY OF BANKS FOR SAFE-KEEPING OF  
COLLATERAL SECURITIES.

*The Third National Bank of Baltimore vs. William A. Boyd.*

COURT OF APPEALS OF MARYLAND, OCTOBER TERM, 1875.

C. J. BARTOL delivered the opinion of the Court:

This suit was brought by the appellee to recover the value of certain coupon bonds and stocks, that passed like bank-notes by delivery, which had been deposited by the plaintiff with the defendant, and which had been stolen from the defendant in consequence of its alleged failure to exercise ordinary care in the custody of them.

The case is one that, from its nature, depended at the trial below mainly on the questions of fact arising from the evidence, with regard to the manner in which the bonds were lost, and the vigilance and care exercised by the bank in their custody. These were questions exclusively for the jury, whose province it was to decide whether there was any want or omission of ordinary care and diligence on the part of the bank from which the loss of the plaintiff's property resulted. These questions were submitted to the jury by the Circuit Court; were decided by them against the bank, and we have no authority or power to review their verdict. All the prayers asked by the defendant being either conceded by the plaintiff's counsel or granted by the Circuit Court except the *tenth*, the only matters presented for our consideration on this appeal arise upon the defendant's *tenth* prayer, which was refused, and the *first, fourth, fifth, sixth, and seventh* prayers of the plaintiff, which were granted.

It appears by the evidence that the appellant was a bank, organized under the National Currency Act of 1864. The firm of William A. Boyd & Co., of which the appellee was senior member, was a large customer of the bank, through which all the banking business of the firm was transacted, and from which it received accommodations as needed. On the 5th day of February, 1866, the firm was indebted to the bank about \$5,000, when the appellee voluntarily proposed to the president of the bank to deposit with the bank a large amount of bonds, about \$37,000, as collateral security for his present and future indebtedness. The terms of the deposit, as agreed on between Mr. Boyd and the president, were dictated by the latter to the discount clerk, and were as follows:

"THIRD NATIONAL BANK,

"February 5, 1866.

"William A. Boyd has deposited with the Third National Bank of Baltimore \$20,000 in United States 5-20 bonds, and \$1,500 5-20s July, 1865; \$5,000 Hudson County, New Jersey; \$5,000 Town of Saratoga, New York, 7 per cent. bonds; \$5,000 stock of Third National Bank of Baltimore, as collateral security for the payment of all obligations of William A. Boyd and William A. Boyd & Co. to the Third National Bank of Baltimore, at present existing or that may be incurred hereafter, with the understanding that the right to sell the above collaterals in satisfaction of such obligations is hereby vested in the officers of the Third National Bank.

"Signed,

A. H. BARNITZ, *Discount Clerk.*"

This paper was kept by the cashier of the bank in the same envelope with the bonds. Afterward, *memoranda* were enclosed therein, signed by the appellee's attorney and by the cashier, showing that certain of the bonds originally deposited had been withdrawn, and others deposited to replace them.

It appears from the evidence, that "while these collaterals remained in the bank the firm kept a deposit account with the bank, having an average amount

of about \$4,000 on deposit, and from time to time, as it needed, obtained discounts varying from \$2,000 to \$15,000 on the security of the collaterals, but frequently and for considerable times, amounting to over five months, it sometimes owed the bank nothing, but left the bonds in the vault; that at times, when the firm wanted money for a very short time, it had obtained it from the bank on the security of these collaterals on what were called 'call loans,' by checks such as the following:

"BALTIMORE, July 13, 1871.

"Third National Bank of Baltimore, pay to order of call loan on general collaterals, four thousand dollars.  
WILLIAM A. BOYD & Co."

"The firm was not indebted to the bank subsequent to July, 1872, when it paid its last indebtedness. The bonds were not withdrawn, but left with the defendant under the original agreement." The bank was robbed and the bonds stolen in the manner described in the testimony, between Saturday evening, the 17th, and Monday morning, the 19th of August, 1872. It appears from the proof, that the giving of the bonds as collateral security was the voluntary act of the plaintiff, not done at the instance or request of the defendant; that the bank officers considered the account of the plaintiff's firm a very desirable one, and considered the arrangement by which every liability of theirs was secured by the collaterals very advantageous to the bank, "which was under no obligation to lend them anything; but the bonds and stocks were to be held as collateral security for all loans that might be made to them, and for their liability on any paper signed or indorsed by them, which might at any time be held by the bank."

The defendant, by its *tenth* prayer, asked the Court to instruct the jury "that the defendant had no power by the Act of Congress under which it was incorporated, to assume and undertake the keeping of the plaintiff's bonds while they were not held as collateral security for debts owing to it, and if the jury shall find that when the bonds were stolen \* \* \* there was not and had not been for nearly three weeks any indebtedness for which they were held as security, then the plaintiff cannot recover in this action."

This prayer raises the question of the power of the bank to accept and retain the deposit of the plaintiff's bonds in the manner and for the purpose disclosed in the evidence. Having been organized under the Act of Congress of 1864, ch. 106, the powers of the bank are limited and defined by the provisions of that Act.

By SECTION 8. It is authorized "to exercise all such incidental powers as shall be necessary to carry on the business of banking, by discounting promissory notes, drafts, bills of exchange and other evidences of debt; by receiving deposits; by buying and selling exchange, coin and bullion; by loaning money on personal security, and by obtaining, issuing, and circulating notes according to the provisions of this Act."

The construction of this section was considered by this Court in *Weckler vs. First National Bank of Hagerstown*, decided at the last term (Md.). The precise question, however, now presented, did not arise in that case. There the attempt was made to hold the bank responsible for alleged fraudulent representations made by its teller, in the sale of bonds of the Northern Pacific Railroad Company, which the narrator alleged the bank was engaged in selling on commission. It was decided that "the business of selling bonds on commission was not within the scope of the powers of the corporation" under the Act of Congress to which we have referred. It was further held, that the defense of *ultra vires* was open to the bank under the decision in *The Steam Navigation Co. vs. Dandridge*, 8 G. & I., 318, 319, and consequently that "the bank was not responsible for any false representations made by its teller to the plaintiff, whereby she was induced to purchase the bonds in question." It is contended that the case now under consideration comes within that decision. In the argument of the cause, the counsel for the appellant has treated the transaction as a mere gratuitous deposit, simply for the convenience or accommodation of the appellee, and for the purpose of affording a place of safe-keeping for his bonds, and has argued that the bank had no power to accept a bailment of that kind, or, in other words, to become a mere safe-deposit company, and was not therefore responsible for the loss.

There is very strong ground, both upon reason and authority, in support of the proposition that a National Bank, deriving its existence and exercising its powers under the Act of Congress referred to, is not authorized to enter into a contract as a mere gratuitous bailee, by receiving on specific deposit for safe-keeping merely, coin, jewelry, plate, bonds, or other valuables. Such a contract does not appear to be authorized by the terms of the 8th section, as a transaction "within the ordinary course and business of banking, or incident to it;" and has been decided by the Supreme Court of Vermont to be "unauthorized by the law, and beyond the scope of the corporate powers." *Wiley vs. First National Bank of Brattleborough*. The very well considered opinion by Judge Wheeler in this case will be found in the *American Law Register*, N. S., vol. iv, No. 6, accompanied by an able note, from the pen of Judge Redfield, in which the cases are collected and reviewed.

In the case of *The First National Bank of Lyons vs. The Ocean National Bank*, the Court of Appeals of New York have recently made a similar decision.

Assuming these decisions to be correct, and we are not disposed to question their soundness, it is clear that the contract entered into by the bank in this case was not a mere gratuitous bailment. As shown by the paper of February 5, 1866, the bonds were not received on special deposit for safe-keeping merely, but were received as collateral security for a debt then existing, and for all obligations that might thereafter be incurred by the depositor. We entertain no doubt of the power of the bank to enter into a contract of that kind. To accept such collateral security for existing debts, and for future loans and discounts, is a transaction within the usual course of the business of banking and incident thereto, and therefore within the terms of the Act of Congress.

The power of National Banks to receive such deposits was distinctly recognized by the Supreme Court of Vermont, and the Court of Appeals of New York, in the cases before cited, and we are not aware that it has ever been questioned. On this point we refer to the able opinion of Judge Sharswood in *Eric Bank vs. Smith, Randolph & Co.*, 3 Brewster, R. 9. In *Maitland vs. The Citizens' National Bank*, 40 Md., 540, this Court affirmed the right of a National Bank to receive on deposit the note of a third person as collateral security for future loans or advances to the depositor.

The original contract of bailment being valid and binding, the obligation of the bank for the safe custody of the deposit did not cease when the appellee's debt had been paid. There is no evidence that the contract was changed; on the contrary, the evidence shows "the bonds remained with the bank under the original agreement," as collateral security for any indebtedness of the appellee that might thereafter accrue, and for any liability of himself, or of the firm of which he was a member, on any paper signed or indorsed by them, which might at any time be held by the bank. For these reasons the Circuit Court committed no error in refusing the appellant's tenth prayer.

The appellant's counsel have argued that the memorandum of February 5, 1866, cannot be construed as a contract made by the appellant, because it does not appear that the officers by whom it was made were authorized to bind the bank. This point is not properly before us, was not made in the Circuit Court, and is not presented by the bill of exceptions. All the prayers of the appellant go upon the theory that the bonds were held by the bank as collateral security. But even if the question of the authority of the officers to bind the appellants were open on this appeal, it may be observed, that, the contract of bailment being one which it was competent for the corporation to make, and having been made by its officers acting within the scope of their general powers and apparent authority, and in the exercise of powers usually delegated to like officers, the bank would be estopped to deny their authority. It may be added further, that there was evidence from which the jury might properly have inferred that the authority had been conferred upon the president and cashier, and that their acts were known to and sanctioned by the directors. *Union Bank vs. Ridgely*, 1 H. & G., 325, 413, 430. But, as we have before said, the question of the authority of the officers to act for the bank in the transaction is not before us. 29 Md., 2, Rule 4.

With respect to the several prayers of the appellee which were granted by the Circuit Court, and referred to in the bill of exceptions, we do not understand that any objection is made to them by the appellant, so far as they

instructed the jury upon the question of the degree of care which the appellant's officers were bound by law to exercise in the custody of the appellee's bonds. In this respect they do not differ from the prayers granted at the instance of the appellant. By the appellee's *first* prayer the jury were instructed that the defendant would be responsible, if the jury found from the evidence that the bonds had been stolen in consequence of the failure on the part of defendant to exercise such care and diligence in the custody or keeping of them, as at the time banks of common prudence, in like situation and business, usually bestowed in the custody and keeping of similar property belonging to themselves; that the care and diligence ought to have been such as was properly adapted to the preservation and protection of said property, and to have been proportioned to the consequence likely to arise from any improvidence on the part of defendant. No objection has been made, nor could any be justly urged against this proposition. The prayer further instructed the jury that, in determining whether or not such care and diligence were used, "the jury may take into consideration whether it was a proper precaution for the defendant to have had an inside watchman at night and on Sundays; whether such watchman ought to have kept awake at night, and whether the bank ought ever to have been without an inside watchman at any part of the day on Sunday, and that they may take into consideration the nature and value of said bonds, their liability to loss, the temptation they offered to theft, the difficulty of recovering them if stolen, the situation of the building and vault, and the sufficiency of the safe in which the defendant kept them at the time they were stolen."

Exception has been taken to the last part of the prayer, because of the enumeration of certain questions as proper to be considered by the jury, in determining whether such care and diligence had been used by the bank as was defined in the prayer. But we find no error in this part of the instructions. The particular subjects of inquiry mentioned were proper for the consideration of the jury. Their province was not invaded, nor was there anything to mislead them. They were not told, in any of the particulars mentioned, the evidence showed a want of due and ordinary care on the part of the bank; and by the appellant's *seventh* prayer, they were instructed "that it was a question to be determined by them from all the facts and circumstances in the case, whether there was or was not that degree of care and diligence used by the defendant in the protection and preservation of the plaintiff's property which is defined in the plaintiff's first prayer."

The degree of care and diligence required by the law was properly defined by the Circuit Court. The question whether it had been exercised by the defendant was fairly submitted to the jury upon all the facts and circumstances of the case. This was a question of fact exclusively within the province of the jury to decide. We have no power to disturb their verdict, and we have refrained from stating the facts and circumstances showing the manner in which this most extraordinary and unforeseen robbery was committed upon the bank.

The only question left for us to consider is, as to the proper measure of damages. This was decided by the Circuit Court to be "the value of the bonds at the time they were stolen." The appellant contends that this was error, and insists that the true measure is their value on the 9th day of September, 1872, when they were demanded by the appellee. It appears, by the agreement of the counsel, that the bonds had slightly diminished in value between the time of the robbery and the time they were demanded. At the former date they were worth \$25,911.25, and at the latter their value was \$25,400.63.

In our opinion, the rule laid down by the Circuit Court is correct. In a case of this kind the measure of damages is the value of the property lost; the only question is, at what time is this value to be computed? Its value not being fixed for ascertaining, it may become of much importance, and has been the subject of considerable discussion in the courts, and the decisions are by no means uniform. In Maryland the measure of damages in trover is ordinarily the value of the property at the time of the conversion (*Hebburn vs. Senell*, 5 H. & J., 211; *Sterling vs. Garritee*, 18 Md., 468), and we think the same rule may, by analogy, be applied to the present case. Here the ground of the action is the alleged breach of the contract of bailment, by reason of the failure on the part of the bank to exercise due care in the custody of the

bonds, whereby they were lost. The true measure of damages would seem to be their market value computed at that time. This question arose in *Baltimore Marine Insurance Co. vs. Dalrymple*, 25 Md., 244. In that case there was a pledge or hypothecation of stock as collateral, the contract of bailment having been broken by the illegal sale of the stock by the bailee. The other party, being cognizant of the breach, waited for two years, and, the stock having risen on the market, demanded the same, offering to redeem, and claimed that the value of the stock should be computed at the time of his demand. But it was held that the measure of damage was its value at the time of the breach.

Without repeating the reasons and authorities upon which that decision was placed, we refer to the opinion of the Court at pages 305, 306, 307, 308.

In *Coyle*, 34 Md., 235, cited by the appellant, it was ruled that the plaintiff was entitled to recover the value of the bonds deposited, ascertained at the date they were demanded. But that case is not applicable here. There was no evidence of the time when they had been lost, or that they had changed in value, and the contract there sued on was not the same as this. In that case, by the contract of bailment, the bailee had the option to return the securities deposited or their value in money on demand. In this case, the legal obligation of the bailee was to keep the bonds of the appellee safely, and to return them to him when the contract ended. Strictly, this obligation could not be discharged by the payment to the appellee of their value in money. After the bonds had been lost, and it had become impossible to return them, there was no necessity for a demand, and when made it could have no significance or effect in determining the rights of the parties. These had become fixed when the breach occurred by the loss of the bonds, and in our judgment the proper measure of damages is their value computed at that time. Finding no error in the rulings of the Circuit Court, the judgment must be affirmed.

Judgment affirmed.

---

## THE LAW OF BILLS OF LADING.

### DECISION OF THE SUPREME COURT OF OHIO.

(From 25, *Ohio State Reports*.)

1. By the rules of commercial law a bill of lading is regarded as the symbol of the property therein described, and in case the shipper reserves to himself the *jus disponendi*, he can transfer the title at any time before the property is delivered by the carrier to the consignee, as effectually by the delivery of the bill of lading as by the delivery of the property itself.—*Emery's Sons vs. Irving National Bank*, 360.

2. If the consignment be made by a vendor to a vendee, the question whether the consignor reserved the *jus disponendi* is one of intention, to be gathered from all the facts and circumstances of the transaction.—*Ib.*

3. If the right to control the property be reserved by the shipper, the carrier must be regarded as his agent; if not, then as the agent of the consignee.—*Ib.*

4. On such question of intention, the terms of the bill of lading are to be taken as the admissions of the consignor, and are entitled to great weight, but are not conclusive.—*Ib.*

5. Nor is the fact, that the consignee had contracted with the carrier for special rates of freight, conclusive that the goods were delivered by the consignor to such carrier as the agent of the consignee.—*Ib.*

6. Where the vendor of goods consigns them to the purchaser, taking a bill of lading from the carrier, and intending to reserve the right of control over them, at the same time draws upon the purchaser for the price, and delivers the bill of exchange with the bill of lading attached, to an indorsee, for a valuable consideration, the consignee, upon receipt of the goods, takes them subject to the right of the holder of the bill of lading to demand payment of the bill of exchange, and cannot retain the price of the goods on account of a debt due to him from the consignor.—*Ib.*

## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

## I. NOTES PAYABLE IN THE "EXCHANGE" OF A PARTICULAR BANK.

The attention of our Milwaukee bankers has again been called to a custom adopted or permitted by some of the Eastern merchants to oblige their friends, viz.: That of taking notes *payable in exchange* of a certain bank.

I beg to ask you, and through you bankers generally, the following question: Suppose the Batavian Bank, our correspondent at La Crosse, Wisconsin, held such a collection, payable at the First National Bank of La Crosse, on the day of its suspension. Now if the First National should tender its own draft in payment, *in accordance with terms of note*, would the Batavian Bank suffer the loss, and could they demand anything farther?

T. L. BAKER,

*Manager Milwaukee Clearing-House Association.*

REPLY.—Such paper is not a valid promissory note. To possess that character it must be payable in *money*, and nothing else. It is consequently not negotiable. It is simply a contract to accept the commodity agreed upon, and the holder has no right to demand as payment for the paper anything except the "exchange" for which it calls, whether the draft which constitutes such "exchange" be good or bad. The loss, if any, must therefore fall upon the owner of the paper, and not upon the collecting bank.

Notes payable in "exchange" are utterly wrong, apart from the question of validity, because the conditions of payment are unbusinesslike and unjust to the holder for collection. If inserted to divert from the latter the small profit which is justly earned, it appears a trick as shabby as it is sharp.

## II. NOTES PAYABLE AT A FAILING BANK.

A makes a note for \$500, payable to the order of B at the banking-house of Bum & Co., due February 1, 1876. Before maturity, B, for value, assigns the note to C. On the day before the note matures, A deposits in the banking-house of Bum & Co. \$500, with instructions to pay said note. C fails to present the note on the day it falls due, and the day following the maturity thereof, Bum & Co. fail. Can C collect the note of A?

REPLY.—A, having fulfilled his duty by depositing the money to meet his note at the place where it was payable, cannot be holden to make good the fault of C, who must suffer for his own negligence in failing to present the note properly for payment.

This point is stated distinctly in *Story on Promissory Notes*, § 228, viz.: "If by such omission or neglect of presentment and demand he [the maker] has sustained any loss or injury, as if the bill or note were payable at a bank,



and the acceptor or maker had funds there at the time, which have been lost by the failure of the bank, then and in such case the acceptor or maker will be exonerated from liability to the extent of the loss or injury so sustained."

---

### III. THE RIGHT OF SEARCH.

Have the revenue collectors any authority to examine the canceled checks held in bank vaults?

When such examination has been made, and canceled checks are found unstamped, have they any authority to request offers of compromise from the bank holding such paid unstamped checks?

REPLY.—The National Banks are protected by the National Bank Act, which provides (in section 54) that they shall not be subject to any visitatorial powers other than those of the examiners duly authorized by that Act, "except such as are vested in the several courts of law and chancery." This point was undisputed until about three years ago, when the Commissioner of Internal Revenue asserted the right of search by his officials. It was, however, clearly settled a few months since by Secretary Bristow, who upheld the plain interpretation of the law, and limited such privileges to the National bank examiners. In the case of State banks and private bankers there is apparently no such exemption, if the internal revenue officials should demand admittance.

Revenue collectors have no legal authority to request offers of compromise from banks holding unstamped checks. Such a request would be properly met by refusal, and by its report to the Department.

---

### IV. NATIONAL BANKS AND STATE LAWS.

The usury statute of the State of Vermont is as follows: "Whenever a greater rate of interest than is allowed by law (*i. e.*, 6 per cent.) shall have been paid, the person paying the same may recover back the amount so paid above the legal interest, with interest thereon from the time of payment, in an action of *assumpsit*, declaring for money had and received, or goods sold and delivered, as the case may be." Limited by statute of limitation to six years.

Will you please take into consideration the above statutes, and also those usury laws of the United States governing National banks, and favor us by answering these questions:

1st. May the usurious interest received by a National bank be recovered back by the person who paid it, by a suit in the State courts under State laws?

2d. Would not the forfeiture of the extra interest so received be governed by the laws of the United States?

3d. Would the statute of limitation of the State or that of the United States prevail in such case.

REPLY.—1. Usurious interest paid to a National bank may be recovered by the borrower by a suit in a *State court*, but under the United States law, not under the law of the State.

2. The forfeiture of the extra interest would be governed by the United States law.

3. In regard to National banks this law prevails always over that of the State.

## BANKS AND BANKERS OF THE UNITED STATES.

*The Number in each State and Territory.*

COMPILED FROM THE BANKER'S ALMANAC AND REGISTER, 1876.

	National.	State.	Savings.*	Private.
Alabama .....	10	6	—	19
Arkansas .....	2	1	—	10
Arizona .....	—	—	—	1
California .....	9	45	25	60
Colorado .....	11	5	—	22
Connecticut .....	81	14	81	17
Dakota .....	1	—	—	6
Delaware .....	11	7	—	3
District of Columbia .....	5	6	—	9
Florida .....	1	—	—	6
Georgia .....	13	31	—	41
Idaho .....	1	—	—	3
Illinois .....	146	23	—	282
Indiana .....	103	20	—	111
Iowa .....	84	32	—	186
Kansas .....	20	27	—	76
Kentucky .....	51	52	—	37
Louisiana .....	7	9	—	9
Maine .....	71	3	58	7
Maryland .....	31	24	—	26
Massachusetts .....	236	5	179	55
Michigan .....	80	30	—	122
Minnesota .....	35	14	—	40
Mississippi .....	—	8	—	16
Missouri .....	35	104	—	105
Montana .....	5	—	—	6
Nebraska .....	10	8	—	25
Nevada .....	—	2	—	18
New Hampshire .....	44	2	68	4
New Jersey .....	67	18	40	10
New Mexico .....	2	—	—	3
New York State (N.Y. City exc.) .....	234	61	116	204
New York City .....	48	30	44	26
North Carolina .....	15	6	—	8
Ohio .....	176	35	—	237
Oregon .....	1	—	—	5
Pennsylvania .....	232	132	—	324
Rhode Island .....	62	16	37	5
South Carolina .....	12	8	—	19
Tennessee .....	26	15	—	12
Texas .....	10	16	—	80
Utah .....	2	—	—	6
Vermont .....	47	2	18	2
Virginia .....	20	49	—	30
West Virginia .....	17	14	—	7
Wisconsin .....	42	27	—	69
Washington Territory .....	—	—	—	2
Wyoming .....	2	—	—	4
Totals (6,066 in all) .....	2,118	907	666	2,375

\* These are savings banks *proper*, organized for the benefit of depositors.

## BANKING AND FINANCIAL ITEMS.

**THE SILVER BILL.**—The legislation in Congress upon the question of issuing silver coins in place of fractional currency, resulted in the passage on April 10th of the act below. In the original bill the House had inserted a provision that the silver dollar should be a legal tender to the amount of fifty dollars. The Senate committee, to whom the bill was referred after its passage in the House, reduced this to twenty dollars, but finally this provision was stricken out. The bill passed was as follows:

*Be it enacted, &c.,* That there be, and hereby is, appropriated out of any money in the Treasury not otherwise appropriated, the sum of \$163,000, to provide for engraving, printing, and other expenses of making and issuing United States notes, and the further sum of \$48,000, to provide for engraving and printing National bank notes, to be disbursed under the Secretary of the Treasury.

**SECTION 2.** That the Secretary of the Treasury is hereby directed to issue silver coins of the United States of the denomination of 10, 20, 25, and 50 cents of the standard value, in redemption of an equal amount of fractional currency, whether the same be now in the Treasury awaiting redemption, or whenever it may be presented for redemption; and the Secretary of the Treasury may, under the regulations of the Treasury Department, provide for such redemption and issue by substitution, at the regular sub-treasuries and public depositories of the United States, until the whole amount of fractional currency outstanding shall be redeemed; and the fractional currency, under this act, shall be held to be a part of the sinking fund provided for by the existing law, the interest to be computed thereon as in the case of bonds redeemed under the acts relating to the sinking fund.

**THE ISSUE OF SILVER COIN.**—The Secretary of the Treasury issued on April 18, the following regulations for the issue of silver coin:

The several officers below named are hereby authorized upon the presentation at their respective offices for redemption of the fractional currency of the United States in sums of \$5 or multiples thereof, assorted by denominations, and in amounts not to exceed \$100, to issue therefor a like amount of the silver coin of the United States of the denomination of 10c., 20c., 25c., and 50c.; and furthermore, upon the presentation for redemption at the office of the Secretary of the Treasury of the United States in this city, of any amount of such currency properly assorted, and in sums of not less than \$5, the Treasurer is authorized to issue silver coin therefor to the amount of the currency presented, or he may issue his check therefor payable in silver at either of the offices hereinafter named, at the option of the party presenting the currency. As far as may be practicable from time to time, fractional currency redeemed in silver under these instructions by any of the Assistant Treasurers, or any designated depositories of the United States, will be sent in sums of \$1,000 or multiples thereof, to the Treasurer of the United States in this city, the amount to be charged in the Treasurer's general coin account as a transfer of funds; and any amount of such currency for which silver has been paid remaining at any time in the cash of the several offices, will be treated as coin assets; and in no case will such fractional currency be re-issued.

Fractional currency sent by express or otherwise to the officers below named, for redemption in silver under the provisions of this circular, should be accompanied by a letter of advice, stating fully the address of the sender and how the remittance in payment therefor is desired, and if by Treasurer's check, the office at which the check should be made payable. The Government will not pay express charges on the silver issued or the fractional currency presented for redemption under the provisions of this circular.

The officers herein referred to are as follows: The Treasurer of the United States in Washington, the Assistant Treasurers of the United States at Boston, New York, Philadelphia, St. Louis, Charleston, New Orleans, Cincinnati, Chicago, San Francisco and Baltimore, and the United States Depositories at Buffalo and Pittsburg.

**THE UNFAIR TAXATION OF BANKS.**—With a view to obtaining through Congressional action some relief from the excessive and unequal burden of taxation, a delegation of bank officers, accompanied by Mr. Knox, the Comptroller of the Currency, appeared on April 12 before the Committee of Ways and Means at Washington. The delegation consisted of Messrs. C. B. Hall, of Boston; E. G. Spaulding, of Buffalo; J. E. Williams, P. C. Calhoun, and G. F. Baker, of New York City; E. B. Judson, of Syracuse; D. J. Fallis, of Cincinnati; W. H. English, of Indianapolis; J. S. Norris, of Baltimore, and others. Messrs. Hall, English, and Fallis addressed the committee in favor of a repeal of the provisions of the National Bank Act which impose taxes on capital and deposits. The delegation had a second hearing on the succeeding day, when Messrs. Spaulding, Judson, and Williams were heard. The subject was discussed at great length, as was also the effect which would be produced by a repeal of the Resumption Act. Most of the bankers argued that its repeal would be of disastrous effect to the interests of the country.

The mischiefs threatened by bad taxation in New York were discussed at a large meeting of the bank officers of this city on the 18th of April. On a call of ayes and noes important resolutions were unanimously passed, which will be found of general interest, as expressing in an authoritative and compendious form the deliberate judgment of our most experienced financial men. Several of these important questions have been discussed in the present and former numbers of the *BANKER'S MAGAZINE*. The resolutions are as follows:

*Resolved*, That the officers of Banks composing the Clearing-House Association consider it to be their duty, and they will recommend to their respective institutions, to earnestly contest, by all legal means, the right claimed by the Tax Commissioners of the City of New York to assess the shares of Bank stock to the extent now proposed, and for the following among other reasons:

1st. That the assessment is in excess of the authority given by Congress to tax the shares of National Banks, "but not at a greater rate than other moneyed capital."

2d. That the proposed tax is upon a valuation having no respect to the convertibility of Bank shares in the market, and one that is not applied to any other species of property.

3d. That while in all other forms of personal property the right of deducting Government Bonds and of offsetting debts due by the party taxed is admitted, it is, in respect solely of Bank shares, absolutely denied.

4th. That the tax proposed is so oppressive, that it may compel the Banks to divide their surpluses among shareholders just at a time when they are most needed to meet the losses continually occurring to them by failures of business houses, and to provide for the peculiar exigencies of the commercial community in returning to specie values.

5th. That it will drive out of the city a large amount of capital from abroad invested in shares of City Banks, which now contributes a great amount to State and City taxes.

6th. That such oppressive taxation will tend to diminish the power of the Banks to such an extent that they cannot furnish the guarantees required to retain the confidence and the deposits, as hitherto, of the country at large, and it will therefore add a new influence to many others now operating to lessen the importance of the City of New York as a Commercial Metropolis.

7th. That the proposed assessment is not only an unequal tax upon the Banks themselves, but that it will operate as a special and oppressive burden upon the commercial community, and is therefore subversive of the very purposes of taxation.

*Resolved*, That the legal counselors of the various Banks be requested to meet Judge Emott, the Counsel of the Tax Committee, at the Clearing-House on Wednesday (to-morrow) at three o'clock, to confer together upon such method of legal proceedings as shall most effectually meet the necessities of the case.

According to the last resolution, the bank officers and their counsel held, on April 19, a conference with Judge Emott, in reference to the increased assessment proposed by the Tax Commissioners. After a long discussion a committee was appointed to consider the matter further and report the best means of resisting the collection of the tax.

**THE GENEVA AWARD BONDS.**—In pursuance of the Act of April 11, 1876, to enable the Secretary of the Treasury to pay the judgments of the Commissioners of Alabama Claims, the Secretary gave notice on April 17 that sealed proposals would be received at the Treasury Department until noon on the 24th of April, and opened immediately thereafter, for the sale of 5 per cent. coupon or registered bonds of the Funded Loan of 1881, in lots of not less than \$500,000, to the total amount of \$5,883,000. These bonds were sold for gold. Bids were opened accordingly, the lowest being 102.25, and the highest 103.78 $\frac{7}{8}$ . At this rate the entire amount was awarded to Drexel, Morgan & Co., representing themselves; N. M. Rothschild & Sons, J. S. Morgan, and August Belmont.

**LIQUIDATION.**—The National Currency Bank of New York is about to go into voluntary liquidation.

**THE SUSPENDED BANK.**—On April 6 a meeting of stockholders of the National Bank of the State of New York was held, to consider the advisability of a resumption of business. Over one-third of the capital stock was represented at the meeting. The following report showed the condition of the bank at close of business on April 5:

**ASSETS.**

Loans and discounts .....	\$491,127.27
Real estate .....	200,000.00
Other estate .....	19,130.70
Suspense account .....	104,022.72
Railroad bonds .....	68,898.26
United States bonds, 10-40s .....	50,000.00
Distant banks .....	15,337.78
Merchants' National Bank, gold .....	8,662.18
Merchants' National Bank, currency .....	86,246.53
Profit and loss .....	1,221,567.11
Legal tenders, specie, National bank notes .....	24,611.85
Redemption fund with United States Government ..	3,650.00

---

\$2,293,251.40

**LIABILITIES.**

Capital stock .....	\$2,000,000.00
Bank notes issued .....	45,000.00
Distant banks .....	54,901.06
Unpaid dividends .....	5,246.00
Individual deposits .....	188,104.34

---

\$2,293,251.40

The difference between capital stock and profit and loss accounts shows a loss of \$778,432.89, of which it is hoped that a considerable amount will be saved. It was proposed that business be resumed on a capital of \$800,000, provided that the consent of the Comptroller of the Currency and of the remaining stockholders be obtained. An invitation was extended to the latter to call at the bank and sign the agreement. On April 7, Messrs. August Belmont and Lawrence Turner, President and Vice-President, having resigned from the Board of Directors, W. H. Hays was elected President and Henry Morgan Vice-President. George R. A. Ricketts has been made Cashier. D. Drake Smith resigned from the Direction, and John Jacob Astor and James T. Closson were elected Directors. The Comptroller has given his permission to the proposed resumption of business, which is to be on May 1.

**THE SECURITY SAVINGS BANK FRAUD.**—John Seil, late book-keeper of the broken Security Savings Bank, was arrested on April 15th, on charge of defrauding the Bank of \$60,000 during the four years in which he had been employed there. It is stated that his method of fraud was by entering deposits made by sundry customers of the Bank in the ledger account of another person, whose attorney he claimed to be, and after a day or two drawing the money in her name.

ALEXANDER T. STEWART, the leading dry-goods merchant in the United States, and the largest payer of taxes into its Treasury, died on April 10th, at his residence in this city.

Mr. Stewart was the oldest member of the Board of Directors of the Merchants' National Bank. At a meeting of this Board, held April 12th, resolutions appropriate to his death were adopted, among which was the following:

"This Bank has enjoyed the advantage of his watchful care and ripe commercial judgment for thirty-three years, where his presence, and the valued traits of his character, his firm integrity, absolute truthfulness, wonderful sagacity in the judgment he formed of men and affairs, courage and unflinching patriotism, have commanded our respect and affectionate esteem."

**BANKRUPTCY PROCEEDINGS.**—At a meeting of the creditors of F. Schuchardt & Wells, held in April, Mr. Charles M. Fry, of the Bank of New York, was chosen assignee. Claims amounting to over \$700,000 have been proved, among which are those of a large number of foreign creditors. It is understood that the assets of the firm are large, and that an early dividend will be paid.

THE creditors of Duncan, Sherman & Co. met on April 22d. On nomination by Mr. Southmayd, the representative of Baring Bros. & Co., of London, whose claims amount to \$650,000, Mr. Charles E. Strong, counselor-at-law, was unanimously elected assignee in bankruptcy.

**A LAND CREDIT COMPANY.**—The success of the *Crédit Foncier* of France has stimulated American enterprise to utilize landed property as a basis for the investment of foreign capital in this country. Several prominent gentlemen, of high character and acknowledged ability, have taken steps to this end, and a bill has been introduced in Congress to incorporate "The National Bond and Mortgage Company of the United States." Among the incorporators are John C. New, Treasurer of the United States; Judge E. B. Martindale, of Indianapolis; Shelby M. Cullom, President State National Bank of Illinois; Charles Gibson, of St. Louis, and others, including George R. Gibson, of Mattoon, Illinois. The latter gentleman, who is well known to the banking community in the West, has given much attention and study to the questions involved in this enterprise, some of his views having appeared a few months since in this magazine. The object of the company is the loaning of money upon bond and mortgage, secured by real estate, and the issuing of their own bonds based upon such mortgages. It is proposed that its principal office shall be at Indianapolis, with another at Washington.

Under assurances of proper management and unquestionable security, there ought to be attracted to this country a very large amount of capital, which awaits profitable employment in England and Europe.

**KANSAS.**—On the morning of April 19th, at about ten o'clock, two men entered the Baxter Bank, at Baxter Springs, presented pistols at the cashier's head, robbed the safe of \$3,000, and escaped into the Indian Territory.

**KENTUCKY.**—The Kentucky interest law has been changed by act of Legislature so as to limit to 8 per cent the amount which may be taken by special agreement. Legal interest, unless otherwise contracted for, remains at 6 per cent. The amendment takes effect on September 1, 1876.

**BANK REFORM IN CHICAGO.**—The Chicago Clearing-House, on April 12th, passed unanimously a resolution requesting the Comptroller of the Currency to instruct the Bank Examiner of that district to report to the Clearing-House any National Bank shown by his examination to have impaired its capital, or to be doing a dangerous business. The Comptroller has made it known that he would accede to such a request. Notice was also given, in accordance with the rules of procedure, that at the next meeting a rule would be submitted for adoption directing the Clearing-House Committee, at its discretion, to examine thoroughly the affairs of any member of the Clearing-House.

**PROCEEDINGS AGAINST STOCKHOLDERS.**—Steps have been taken to enforce the liability of shareholders of four Chicago banks. The receiver of the Scandinavian National Bank, Mr. J. D. Harvey, has received an order from the Comptroller to make an assessment on the stockholders of 50 per cent. on the par value of their stock. Of this stock over \$130,000 is held by parties living in Stockholm, Copenhagen, and elsewhere abroad, while of the remaining \$85,000, held in this country, only \$25,000 is in the name of persons from whom anything can be collected. The liabilities of the bank were \$250,000, on which 40 per cent has been paid to depositors.

In the case of the Manufacturers' National Bank, there are pending in the United States Courts suits which may increase the liability of the stockholders, and until the amount shall be determined no measures can be enforced. It is stated that the assets amount to nothing. The settlement of some legal questions also delays proceedings against the shareholders of the Cook County National Bank.

The assets of the Commercial Loan Company have already yielded 50 per cent., and are expected to yield 25 per cent. more. The balance of 25 per cent. will be realized from the stockholders.

**FAILURE.**—The City National Bank of Chicago closed its doors on the morning of April 24, and has gone into voluntary liquidation. The bank had a capital of \$250,000, with a surplus of \$130,000. Its other liabilities are about \$800,000. The directors express the hope that the assets will pay in full if a short time be allowed.

**IOWA.**—The First National Bank of Bloomfield has changed its organization from the National system to one under the laws of the State of Iowa, with the same capital, stockholders, directors, officers, and correspondents. Its officers are W. McK. Findley, President; J. B. Glenn, Cashier, and W. H. Glenn, Assistant Cashier. A statement which found its way into print that this bank had "suspended," was entirely without foundation, and grew doubtless out of the *pro forma* liquidation requisite for the change above mentioned.

**THE PHILADELPHIA STOCK EXCHANGE.**—At the annual election for officers of the Philadelphia Stock Exchange, held in March, the following gentlemen were elected: President, H. G. Gowen; First Vice-President, J. H. Seaver; Second Vice-President, W. J. Morris; Third Vice-President, N. Thouron; Secretary and Treasurer, John C. Johnson.

The *Ledger* says of the transactions of the Philadelphia Stock Exchange during the month of March: "The largest number of shares of any one company sold in the month of March was of the Pennsylvania Railroad, 232,950 shares. Of Reading Railroad, 97,965 shares sold; of Hestonville Passenger Railroad, 75,450 shares; of Philadelphia and Erie Railroad, 17,000 shares; of Insurance Company of North America, 5,168 shares; of Spruce and Pine Streets Passenger Railway, 4,505 shares, and of American Buttonhole Company, 5,505 shares.

"The entire amount of bank shares sold at the Stock Board in this city in all the month of March was but 661 shares. The largest number of shares of any one was of Mechanics' National Bank, 198; the next largest, Commercial National, 153; and the next largest, Manufacturers' National, 107. Of the Philadelphia National there was a sale of but one share, and of Bank of North America, Northern Liberties, and some others, no sales in all the month. Of all the stock securities on this market, none are held more confidently or more firmly than our local bank stocks. They pay generally about seven per cent. on the market price, and holders believe them as sound and as reliable as any other corporate investment."

**THE CENTENNIAL NATIONAL BANK**, which, during the International Exposition, will serve as the fiscal agent of the Commission, has the exclusive privilege of furnishing banking facilities to exhibitors and visitors within the grounds of the Exposition. In its card at the end of this Magazine the bank proffers prompt attention to the interests of banks and bankers who shall favor it with their Philadelphia business.

**DEFEAT AND CAPTURE OF BANK ROBBERS.**—A bold but unsuccessful attempt was made on the evening of March 25, to rob the National Bank of Chambersburg, Pa. The principal character was a man who had taken up his residence at Chambersburg in May, 1875, professing to be Major Rollins, a wealthy Southern gentleman. He and his wife were well educated, and apparently refined in tastes and manners. They gained the confidence of the community, and among others became intimate with Mr. Messersmith, cashier of the National Bank. Calling on the evening mentioned, Rollins introduced a Mr. Johnson, who was burdened with \$10,000 in money, and begged Mr. Messersmith to put it in the safe until morning. When the cashier had opened the safe Rollins and Johnson seized him, gagged him, snatched a \$30,000 package of currency, and ran off. The cashier, however, resisted vigorously, tore off the gag, and gave the alarm, when the robbers fled. Rollins, with the money, was captured before he could get off the premises. Johnson escaped, but was arrested the next morning, twenty miles away.

Three different lots of burglars' tools, gowns, masks, etc., were subsequently found in adjoining lots, showing that there were other parties concerned in the job. The number of gags found indicate a plan to gag the whole household, five in number. The bank lost nothing, but, on the other hand, is ahead \$85, found in the package said to contain the \$10,000. Mr. Messersmith, though somewhat shocked and bruised from the rough treatment received, was at his post the next day.

**BANK ROBBERY IN BUSINESS HOURS.**—On April 1, the banking-house of Hoff & Millholland, Reading, Pa., was robbed at noon of about \$6,000 in money. The bank was in charge of a clerk at the time, when three gentlemanly-looking strangers entered, and engaged the clerk in making some intricate calculations of interest upon an amount which they wished to deposit. While his attention was thus engaged, it is supposed that a fourth man entered unobserved, gained access to the private office, and robbed the safe.

**TEXAS.**—The Houston Savings Bank at Houston is in successful operation, under the management of Messrs. F. A. Rice, President, and Benjamin A. Botts, Vice-President. Mr. E. Raphael is agent. Their capital is \$100,000.

**San Antonio.**—The business of the banking firms of Bennett & Thornton and Lockwood & Manning has been consolidated, and a new house formed, under the style of Bennett & Lockwood. Correspondents having business for that vicinity are referred to their card at the end of this number.

A NEW COUNTERFEIT five-dollar note, on the Merchants' National Bank of New Bedford, Mass., made its appearance in March. It is as good, if not a better counterfeit than that of the Traders' National Bank of Chicago. The new counterfeit may be distinguished from the genuine by a defect in the figure of Christopher Columbus in the landing scene on the back of the note. The thigh of this figure appears distorted or swollen, while in the genuine note it is entirely symmetrical and natural.

**BERLIN.**—The front of the new Imperial Bank, in course of erection in the German capital, will be adorned by a group of statuary twelve feet high and twenty-five feet wide, the work of Professor Franz. The central figure will be a colossal Germania, sitting on a rock, a shield on her right arm, and the left hand grasping the hilt of her sword. Trade, Navigation, Agriculture, and Industry will be represented by four minor figures, of whom Germania is supposed to be the protectress.

---

### WANTED.

A BANKER of eighteen years' experience desires a position as Cashier or Assistant Cashier. Thoroughly understands every part of the business, and can give first-class references.

Address "BANKER,"

P. O. Box 374, Buffalo, N. Y.



## NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List; continued from April No., page 827.)

APRIL, 1876.

State.	Place and Capital.	Bank or Banker.	N. Y. Correspondent and Cashier.
GA.....	Fort Valley...	Anderson & Brown.....	National Park Bank.
"	Rome.....	Hargrove, Hardy & Williams	National Park Bank.
ILL.....	Jerseyville....	First National Bank.....	.....
	\$50,000	Hugh N. Cross, <i>Pr.</i>	Walter E. Carlin, <i>Cas.</i>
"	Geneseo.....	Farmers' National Bank...	.....
	\$50,000	Levi Waterman, <i>Pr.</i>	John P. Stewart, <i>Cas.</i>
"	Virginia.....	Centennial National Bank.	.....
	\$60,000	John A. Petefish, <i>Pr.</i>	John N. Wood, <i>Cas.</i>
"	Elmwood.....	H. P. Tracy.....	Chemical National Bank.
"	South Chicago	Wilson Brothers.....	George Opdyke & Co.
IND....	Bowling Green	Bank of Bowling Green....	Meridian Bank, Indianapolis.
		Alexander Brighton, <i>Pr.</i>	Hiram Teter, <i>Cas.</i>
IOWA...	Alden.....	Duane Young.....	First National Bank.
"	Bloomfield...	Bloomfield Bank.....	Ninth National Bank.
		William McK. Findley, <i>Pr.</i>	John B. Glenn, <i>Cas.</i>
"	Brush Creek..	Brush Creek Bank.....	Corbin Banking Co.
"	Guthrie.....	Exchange Bank.....	City National Bank, Chicago.
KAN....	Solomon City.	Clarke & Follett.....	Ninth National Bank.
"	Washington..	Shriner Brothers.....	Corbin Banking Co.
MICH..	Grand Rapids	Randall & Darragh.....	Importers & Traders' Nat. Bk.
"	"	Graff, Dennis & Co.....	Gilman; Son & Co.
"	Hubbardston.	D. R. Corey & Co.....	.....
MINN...	Duluth.....	Exch. Bank of H. H. Bell.	American Exchange Bank.
MISS...	Greenville....	Bank of Greenville.....	National Park Bank.
		William A. Pollock, <i>Pr.</i>	Malcolm Kretschmar, <i>Cas.</i>
MO.....	St. Louis.....	Britton, Lomax & Co.....	Donnell, Lawson & Co.
N. J....	Flemington...	Flemington National Bank.	.....
	\$100,000	Peter C. Emery, <i>Pr.</i>	C. C. Dunham, <i>Cas.</i>
N. Y...	Canisteo.....	Bank of Canisteo.....	First National Bank.
		Mortimer Allison, <i>Pr.</i>	W. W. Bell, <i>Cas.</i>
"	Batavia.....	Bank of Batavia.....	American Exchange Bank.
	\$50,000	Jerome Rowan, <i>Pr.</i>	William F. Merriman, <i>Cas.</i>
OHIO...	Defiance.....	Defiance Savings Bank...	Dry Goods Bank.
		William C. Holgate, <i>Pr.</i>	Benjamin L. Abell, <i>Cas.</i>
"	Greenville....	Greenville Bank.....	Fourth National Bank.
		John Hufnagle, <i>Pr.</i>	L. L. Bell, <i>Cas.</i>
PENN...	Connellsville..	First National Bank.....	.....
	\$50,000	John D. Frisbee, <i>Pr.</i>	J. S. McCaleb, <i>Cas.</i>
"	West Chester.	Thomas W. Marshall.....	Donnell, Lawson & Co.
TEXAS.	San Antonio..	Bennett & Lockwood.....	Donnell, Lawson & Co.
VA.....	Charlottesville.	People's Bank.....	Latham, Alexander & Co.
	\$38,000	Charles H. Harman, <i>Pr.</i>	Wm. W. Flannagan, <i>Cas.</i>

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

Authorized March 22 to April 26, 1876.

No.	Name and Place.	President and Cashier.	Capital.	
			Authorized.	Paid.
2328	First National Bank, Jerseyville, ILL.	Hugh N. Cross..... Walter E. Carlin.	50,000	36,000
2329	First National Bank, Connellsville, PA.	John D. Frisbee..... J. Sherrick McCaleb.	50,000	37,500
2330	Centennial National Bank, Virginia, ILL.	John A. Petefish..... John N. Wood.	60,000	35,000
2331	Flemington National Bank, Flemington, N. J.	Peter C. Emery..... C. C. Dunham.	100,000	50,000
2332	Farmers' National Bank, Geneseo, ILL.	Levi Waterman..... John P. Stewart.	50,000	37,875

## DISSOLVED, DISCONTINUED, OR CHANGED.

(Monthly List; continued from April No., page 828.)

- F. L. Heiser & Co., *New York City*; failed.
- CAL..... John Conly & Co., *La Porte*; succeeded by Bank of La Porte.
- GA..... Planters' Bank, *Fort Valley*; succeeded by Anderson & Brown.
- " .... Robson & Metcalf, *Madison*; discontinued.
- " .... R. T. Hargrove, *Rome*; succeeded by Hargrove, Hardy & Williams.
- ILL..... City National Bank, *Chicago*; closed and in liquidation.
- " .... Cook County Savings Bank, *Chicago*; suspended.
- " .... Bank of South Chicago, *South Chicago*; succeeded by Wilson Bros.
- " .... Cross, Carlin & Co., *Jerseyville*; succeeded by First National Bank.
- IOWA.... First National Bank, *Bloomfield*; changed to Bloomfield Bank.
- " .... First National Bank, *Bedford*; in liquidation.
- " .... Benton Co. Bank, Shreeves & Allen, *Blairtown*; now Williams & Allen.
- " .... Orlando H. Manning, *Carroll*; sold out.
- " .... Bank of Cedar Falls, *Cedar Falls*; attached and assigned.
- KAN..... J. La Grange, *Solomon City*; succeeded by Clarke & Follett.
- " .... G. W. Shriner & Co., *Washington*; succeeded by Shriner Bros.
- MICH.... E. P. & S. L. Fuller, *Grand Rapids*; succeeded by Graft, Dennis & Co.
- " .... N. B. Hayes & Co., *Hubbardston*; succeeded by D. R. Corey & Co.
- " .... McKinley Brothers, *Pontiac*; assigned.
- MISS.... Kretschmar & Farrar, } *Greenville*;  
Worthington, Buckner & Co. } succeeded by Bank of Greenville.
- " .... Meridian Savings Institution, *Meridian*; failed.
- MO..... South St. Louis Savings Bank, *St. Louis*; consolidated with Carondelet Savings Bank.
- " .... Mechanics' Savings Institution, *St. Louis*; discontinued.
- N. Y.... J. H. Withey & Co., *Port Byron*; suspended.
- " .... Security Bank, *Watertown*; closed.
- OHIO.... Bank of Greenfield, *Greenfield*; suspended.
- " .... Farmers' Exchange Bank, *Toledo*; sold out.
- " .... Freeman & Hunt, *Warren*; assigned.
- TEXAS.. Ben ett & Thornton, } *San Antonio*;  
J. S. Lockwood & Manning, } succeeded by Bennett & Lockwood.
- " .... Merchants & Planters' Bank, *Denison*; merged in Drovers & Planters Bank.
- WIS.... First National Bank, *La Crosse*; closed.

## CHANGES OF PRESIDENT AND CASHIER.

(Monthly List; continued from April No., page 825.)

## APRIL, 1876.

	<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
CAL...	Commercial Bank, San Diego..	J. A. Fairchild, <i>Cas.</i> ...	E. F. Spence.
IDAHO.	First National Bank of Idaho, } Boise City. }	James H. McCarty, <i>Pr.</i> } John Huntoon, <i>Cas.</i> ....	B. F. Channell. C. W. Moore.
ILL....	Union Trust Co., Chicago .....	G. M. Wilson, <i>Cas.</i> ....	W. B. Hoswell.
MASS..	Suffolk National Bank, Boston..	David R. Whitney, <i>Pr.</i>	S. W. Swett.
" ..	First National Bank, Gloucester	Josiah O. Friend, <i>Pr.</i>	M. L. Wetherell.
" ..	Nat. Pemberton Bank, Lawrence	James M. Coburn, <i>Cas.</i>	W. H. Jaquith.
" ..	Merchants' Nat. Bank, Lowell..	H. W. B. Wightman, <i>Pr.</i>	H. Hosford.
MICH..	Ann Arbor Sav. Bk., Ann Arbor	Chas. E. Hiscock, <i>Cas.</i>	.....
MO....	Jefferson City Bank, } Jefferson City. }	J. S. Fleming, <i>Pr.</i> ....	C. E. Hess. J. T. Sears, <i>Cas.</i> .....
TENN.	Mechanics' Nat. Bk., Nashville	John S. Bransford, <i>Cas.</i>	W. C. Butterfield.
TEXAS.	Red River Co. Bank, Clarksville	George W. Voiers, <i>Cas.</i>	.....
VT ....	Rutland Co. Bank, Rutland....	Wm. Y. W. Ripley, <i>Pr.</i>	W. Y. Ripley.*

\* Deceased.

## THE PREMIUM ON GOLD AT NEW YORK,

## MARCH—APRIL, 1876.

1875.	<i>Lowest.</i>	<i>Highest.</i>	1876.	<i>Lowest.</i>	<i>Highest.</i>	1876.	<i>Lowest.</i>	<i>Highest.</i>
April ....	14	15½	Mar. 24 ..	14¼	14¾	Apr. 10 ..	13	13¾
May .....	15	16¾	.. 25 ..	14	14¾	.. 11 ..	12¾	13
June .....	15¼	17½	.. 27 ..	13¾	14	.. 12 ..	13	13¾
July .....	11¾	17½	.. 28 ..	13¾	14¾	.. 13 ..	13¼	13¾
August ..	12¾	14¾	.. 29 ..	13¾	14¾	.. 14 ..	Good Friday.	
September	13¾	17½	.. 30 ..	13¾	14	.. 15 ..	13¼	13¾
October ..	14½	17½	.. 31 ..	13¾	13¾	.. 17 ..	12¾	13¼
November	14½	16¾	.. Apr. 1 ..	13¾	13¾	.. 18 ..	13	13¾
December	12¾	15¼	.. 3 ..	13	13¾	.. 19 ..	13	13¾
1876.			.. 4 ..	12¾	13¾	.. 20 ..	13	13¾
January ..	12¾	13¼	.. 5 ..	12¾	13	.. 21 ..	12¾	12¾
February.	12¾	14¾	.. 6 ..	12¾	13	.. 22 ..	12¾	12¾
March ...	13¾	15	.. 7 ..	12¾	13¼	.. 24 ..	12¾	12¾
			.. 8 ..	13	13¼	.. 25 ..	12½	12¾

ERRORS IN PROTESTING NOTES.—In the case of the Commercial Bank of Kentucky *vs.* Joseph B. Varnum, an attorney, it appeared that the Metropolitan Bank of New York, as agent of plaintiff, gave the defendant, who was its notary, drafts to protest. He did so; it turned out that the protesting was premature, and the plaintiff lost the power to pursue the indorsers. Suits were brought against the notary, and judgment was given in his favor. The Supreme Court, General Term, through Judge Brady, on March 31, upheld these judgments, holding that the notary was simply employed to do a specific duty; that he was bound to do it when directed, and that he was not required to give a legal opinion as to the proper day. The original decision in this case was published in full at the time in this Magazine.

## NOTES ON THE MONEY MARKET.

NEW YORK, APRIL 24, 1876.

*Exchange on London at sixty days' sight, 4'86½ a 4'87, in gold.*

In regard to the present and prospective changes of the money market, one of the most prominent topics of discussion in the financial circles is the issue of silver coin, which is watched with anxiety by a large number of persons with very different expectations. A copy of the new law will be found on a previous page, as will also the regulations made by the Secretary of the Treasury for the emission of the new coinage from the Treasury. Among the points of interest that seem to be attracting the public notice, two or three claim attention in this place. First stands the question whether the issue of the silver coins as a substitute for the outstanding fractional currency will help the transition of the country to specie payments, or ought fairly to be regarded as preparatory thereto. Some bankers of great experience are quite sanguine on this subject. They think that the filling up of the channels of the small circulation by coin will tend to prevent fluctuations in the gold premium, and will give greater steadiness to the value of the whole mass of our circulating medium. Accordingly they are in favor of enlarging the legal-tender powers of the silver coin. Some incline to fix the maximum sum for which silver coin shall be a legal tender as high as \$20 or even \$50, while others again are favorable to a regulation making silver a legal tender for all payments without restriction. As the latter policy would require the weight of the silver pieces to be increased, and would convert them into a principal part of our coinage, equal with gold in the power of liquidating debts, instead of being as at present a mere token coinage subordinate to gold, the latter being the sole standard of value for all the large payments of coin, the various schemes for realizing the policy meet with many objections.

Another reason for favoring the issue of silver for fractional currency is founded on its moral influence on public opinion. The daily handling of coin will, as is claimed, tend to establish in the public mind the conviction that the restoration of specie payments throughout the United States in 1879 is really going to take place, according to the stipulations of the law of January, 1875. There is a good deal in this argument. For no one can doubt that if the masses of the trading community will only conduct their business in the expectation of resumption, one of the most formidable obstacles will be removed which hinder recuperation and obstruct this reform of the currency. It has been doubted whether the people generally want to lose the use of the fractional currency to which they have so long been accustomed. It is also questioned whether there are not some other arrangements which ought to be previously provided for if the issue of silver is to be made really helpful in the process of resumption. To these objections, however, we need not give further mention. The experiment of issuing silver, like the other means we have adopted at various times to aid the advance of the country to the specie basis, will in all probability work very different consequences in some respects from those which the anticipations and theories of rival critics have been able to suggest. In a practical point of view a very important question regarding the issue of silver is, whether it will be likely to give a stimulus to trade. Whatever gives a new basis

of certainty and confidence is usually a stimulus to the recuperation of business. The silver issues in this point of view are expected to be of service. If a revival of business to any notable extent should occur within a few months, there are a great number of people who would not hesitate to ascribe to the new coinage a large share in the work of producing the beneficial change. We doubt whether these sanguine friends of a hard currency are not expecting rather too much from this particular step towards it. Still their error, if it be one, is far less dangerous to the country than the mischievous notions of the paper money men, who would renounce the experience of all ages, and give up the use of the gold and silver basis altogether. On the whole the silver issues are more popular than they were, and the agitators who pretend that the whole movement has been made in the interest of the bonanza mining companies, or to create a market at the public expense for the teeming produce of bonanza bullion, are not making so much impression on the public mind as formerly.

The rates for money show very little change. Abundance of idle capital is seeking investment at 3 per cent. on call. On Governments money is borrowed at 2 to 3 per cent., while on approved miscellaneous collaterals the rates are 3 to 4 per cent. Discounts are quiet. Very little paper is making, and the best names pass at extremely low rates. The general quotation ranges from 4 to 6 per cent. Some unnecessary discussion has been given to the decline in the reserve averages of our city banks, and it has been suggested that the banks were becoming too weak in legal tenders. It seems to have been forgotten that this drain of currency to the interior is perfectly wholesome, and proceeds from causes that are well known. The April drain, indeed, has for some years past been looked for in the money market as regularly as the spring freshets in the Hudson, the Mississippi or the Missouri. This periodical drain of currency has not been quite so large during the present season as usual; still it has been sufficiently active to show that there is a good deal of business doing in the country, although in this city so many incidents remind us that the old currents of trade are somewhat changing their course. It has been often affirmed, for example, that the dry goods jobbing trade is passing away to some extent from the old houses in this city who formerly had a sort of monopoly, and is in part being wrested from the Eastern firms by new enterprising strong firms in the West. Another circumstance which has been pointed out as indicative of the change in the currents of business, is the general prosperity which, as has been alleged, shows itself more conspicuously in the West, so that the process of recovery from the effects of the panic of 1873 has, if we may believe the statements, gone on with much more rapidity in the Mississippi Valley than on the Eastern seaboard. There may be something in this argument. We have no doubt that there is. Still, the record of the failures given elsewhere does not greatly support the theory nor corroborate the reasoning. A more careful examination of the facts will, perhaps, show that there is a new departure taking place, which, although not of the magnitude and importance that are sometimes ascribed to it, deserves notice as part of the signs of the times. For some weeks past the green-back reserves of our banks have been falling in consequence of the forces above referred to. As will be seen from the following table of the New York banks, the excess of reserve fell below 7 millions. It is now \$8,658,500, and it has increased since last week by \$1,806,525. Subjoined is the statement of the New York Clearing-House banks:

1876.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Exchanges.
Mar. 25....	\$261,254,000	\$21,504,000	\$43,773,900	\$16,199,700	\$214,181,600	\$347,455,573
Apr. 1....	261,351,200	21,171,100	41,718,500	16,364,000	211,561,100	353,712,358
" 8....	261,786,200	20,336,000	38,700,400	16,297,600	207,993,300	387,862,835
" 15....	258,297,900	19,400,800	38,826,800	16,239,100	205,540,500	337,786,823
" 22....	253,752,400	18,077,300	41,396,800	16,232,000	203,262,400	380,621,303

The following are the changes of the banks of the Boston Clearing-House :

1876.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Mar. 25.....	\$ 128,523,200	... \$ 3,051,700	... \$ 7,003,900	... \$ 76,717,900	... \$ 23,172,400
Apr. 1.....	123,179,400	... 2,853,500	... 6,962,200	... 72,674,200	... 22,327,100
" 8.....	127,096,100	... 2,737,000	... 7,285,500	... 78,999,800	... 22,740,800
" 15.....	130,885,400	... 2,445,300	... 7,271,300	... 80,013,800	... 23,060,400
" 22.....	131,296,100	... 2,197,700	... 7,127,600	... 79,224,500	... 23,065,300

The Philadelphia Clearing-House statements are reported for several weeks past as follows :

1876.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Mar. 25.....	\$ 60,164,481	... \$ 596,808	... \$ 14,523,533	... \$ 46,998,577	... \$ 10,491,078
Apr. 1.....	60,749,929	... 611,968	... 12,738,072	... 45,261,720	... 10,551,868
" 8.....	60,690,457	... 559,984	... 12,137,615	... 44,890,201	... 10,550,280
" 15.....	60,835,313	... 463,195	... 12,247,542	... 46,510,184	... 10,517,230
" 22.....	60,394,513	... 403,465	... 13,043,925	... 47,045,772	... 10,365,801

The New York bank aggregates for the past week compare as follows with those of previous years :

	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Exchange.
Ap. 22, '76.	\$ 253,752,400	\$ 18,077,300	\$ 41,396,800	\$ 16 232,000	\$ 203,262,490	\$ 380,621,313
" 1875.	275,886,000	12,045 900	53,970,300	21,146,200	217,926,300	448,065,054
" 1874.	288,423,500	23,336,400	54,739,606	26,901,600	254,486,700	527 357,314
" 1873.	269,301,900	15,989,700	37,690,600	27,737 700	188,220,600	693,315,939

It is worthy of note that the money market has been extremely easy during the whole of the period in which the banks have been losing their reserve. The London *Economist* rashly ventured to affirm a short time ago that such ease was impossible, and that no sooner was such a rapid decline of reserve developed than a general terror would seize upon the mercantile and banking classes, which could not fail to precipitate a general panic in this country. Mr. Knox, our Comptroller of the Currency, took the trouble to write a letter explaining the blunder of the *Economist*. But our contemporary replied that its opinions were too plainly correct to need correction, for it was evident to every one, that as the American banks are required by law to cease discounting when their reserve is impaired, the drain of reserve cannot in the nature of things be attended with any other result than apprehension, which must gradually become more and more intense as the reserves sink nearer to the legal minimum. The opinion of our contemporary would have been perfectly sound if he had made the proper qualifications. As he stated it, however, it is manifestly contradicted by the facts of the past month, as well as by the general course of our banking experience in this country.

The Stock Exchange is dull and without much activity. In the Government market the chief topic of interest is the sale to-day of the 4 millions of 5 per cent. bonds at about 103 $\frac{3}{4}$  in gold in one bid to Messrs. Drexel, Morgan & Co. for the old Syndicate, including Seligman and N. M. Rothschild & Co. This rate is almost  $\frac{3}{4}$  per cent. below the market price, and is interpreted as showing that a better rate might have been obtained if Mr. Bristow had made the loan a popular one by accepting bids from small investors all over the country. It is hoped that he will adopt this plan in future sales of the new fives, which are now well established as a popular investment both here and abroad. In State bonds there is little doing. Railroad bonds of the best class are firm and in demand for investment. The bonds of defaulted roads are being inquired for, and some of them are selling for more than they seem to be worth. In the speculative movements of railroad shares there is great depression, as is indicated by the fact that the bank clearings since January 1 amount to an aggregate of but \$6,566,000,000, against \$7,579,000,000 for the same fifteen weeks of last year. This loss is chiefly though not wholly due to the diminished magnitude of the dealings at the Stock Exchange. The falling off amounts to about 1,000 millions, or 75 millions a week, equal to an average of about

\$12,500,000 a day. It will also be remembered that last year's clearings showed a considerable diminution from the average level of previous years. Subjoined are our usual quotations:

QUOTATIONS:	Mar. 27.	Apr. 3.	* Apr. 10.	Apr. 17.	Apr. 24.
Gold.....	113 $\frac{3}{4}$	113	113	113 $\frac{3}{4}$	112 $\frac{3}{4}$
U. S. 5-20s, 1867 Coup.	121 $\frac{1}{4}$	120 $\frac{3}{4}$	121 $\frac{1}{4}$	120 $\frac{3}{4}$	121 $\frac{3}{4}$
U. S. Fives 1881 Coup.	118 $\frac{3}{4}$	118	118 $\frac{3}{4}$	118	118 $\frac{3}{4}$
N. Y. C. & Hudson R.	113	113	112 $\frac{3}{4}$	112 $\frac{3}{4}$	112 $\frac{3}{4}$
Lake Shore.....	61 $\frac{1}{2}$	59 $\frac{1}{2}$	59 $\frac{1}{2}$	56 $\frac{1}{2}$	55 $\frac{1}{2}$
Chicago & Rock Island	110 $\frac{3}{4}$	105 $\frac{3}{4}$	105 $\frac{3}{4}$	103 $\frac{3}{4}$	103 $\frac{3}{4}$
New Jersey Central...	106 $\frac{1}{4}$	106 $\frac{1}{2}$	103	100	95 $\frac{1}{2}$
Eric.....	20 $\frac{3}{4}$	19 $\frac{3}{4}$	17 $\frac{3}{4}$	15 $\frac{3}{4}$	15 $\frac{3}{4}$
Pacific Mail.....	20 $\frac{1}{2}$	18 $\frac{3}{4}$	17 $\frac{3}{4}$	19 $\frac{3}{4}$	20
Union Pacific.....	62	62 $\frac{3}{4}$	64	64	63 $\frac{3}{4}$
North Western.....	42 $\frac{1}{2}$	41 $\frac{1}{2}$	41 $\frac{3}{4}$	40 $\frac{3}{4}$	39 $\frac{1}{2}$
West. Union Tel. Co.	68 $\frac{1}{4}$	68 $\frac{1}{4}$	65 $\frac{1}{4}$	66 $\frac{1}{4}$	65 $\frac{1}{4}$
Bills on London.....	4.87-4.90	4.86 $\frac{1}{4}$ -4.89 $\frac{1}{4}$	4.86 $\frac{1}{4}$ -4.89 $\frac{1}{4}$	4.86 $\frac{1}{4}$ -4.89 $\frac{1}{4}$	4.87-4.89 $\frac{1}{4}$
Call loans .....	244	346	445	344	244
Discounts.....	4 $\frac{1}{2}$ 26	447	446	446	446
Treasury balances, cur.	\$35,275,614	\$34,658,252	\$35,888,002	\$36,766,456	\$36,346,098
Do. do. gold	46,942,453	46,333,568	46,235,688	46,264,953	47,145,098

Gold has fallen more than one per cent. during the month. The prospects are not very bright for the advance in the premium which some shrewd bankers have been so long expecting. At the present moment there is a new cause of temporary depression in the coming sales by the Treasury of the gold to be received for the fives sold to-day. The rates paid for carrying gold close at 2 to 4 per cent. Foreign exchange is dull and closes at 4.87. The exports of breadstuffs and other produce are expected to be increased during the next month. If so, there will be another set of influences developing themselves hostilely to the advance of gold, though favorably to the general interests of business, as well as to the progress of the public wealth. The currency changes this month and the proceedings of Congress do not seem to have had much to do with the fall in gold.

The total outstanding circulation of the National Banks, with the amount of bonds deposited in Washington, compare as follows:

Week ending	Notes in circulation.	Bonds for circulation.	Bonds for U. S. deposits.	Total bonds.	Coin in Treasury.	Coin Certificates.
July 24...	\$350,764,469	\$374,753,362	\$18,792,200	\$393,545,562	\$66,926,937	\$22,628,300
Aug. 7....	348,937,939	374,927,862	18,792,200	393,720,062	71,953,412	22,657,200
Aug. 21....	349,130,000	374,788,762	18,792,200	393,580,962	70,738,807	18,561,000
Sept. 11....	347,980,000	373,382,762	18,792,200	392,174,962	66,730,316	16,389,400
Sept. 25....	347,720,223	372,150,762	18,792,200	390,942,962	66,924,152	12,435,000
Oct. 9....	346,769,853	369,791,762	18,782,200	388,573,962	68,784,332	12,477,100
Oct. 16....	346,813,776	368,857,212	18,782,200	387,639,412	70,472,506	12,775,600
Oct. 23....	344,458,128	368,119,917	18,760,000	386,879,917	69,070,408	11,562,300
Oct. 30....	346,805,616	367,799,412	18,730,000	386,529,412	.....	.....
Nov. 6....	345,799,108	366,658,312	18,730,000	385,388,312	72,042,514	16,069,900
Dec. 18....	343,938,278	364,690,112	18,626,500	383,316,612	69,206,263	21,447,000
Jan. 22....	343,253,577	362,108,062	18,626,500	380,734,562	73,200,709	34,429,000
Feb. 19....	341,557,911	358,428,650	18,621,500	376,050,150	75,051,625	33,786,900
Mar. 21....	340,046,776	355,311,715	18,741,500	374,053,215	69,657,203	34,797,600
Apr. 21....	337,635,219	347,800,350	18,623,000	366,423,350	76,128,711	28,457,600

## DEATH.

At BROOKLYN, N. Y., on Friday, April 14, aged sixty years, ROBERT P. PERRIN, President of the National Butchers and Drovers' Bank of New York.

THE  
**BANKER'S MAGAZINE,**  
AND  
**Statistical Register.**

---

VOLUME X, }  
THIRD SERIES. }

JUNE, 1876.

No. 12.

---

THE TREASURY MANAGEMENT.

A multitude of minor features of the Treasury administration are continually presented in Congress and elsewhere as proper subjects of criticism, and so much of the public attention is thus dispersed over the wide field of Treasury finance, that there is danger lest the two or three centres should be overlooked in which the most important part of the Treasury work is going on. This is to be regretted, for, as we are to resume specie payments on several hundred millions of suspended Government paper, which is to be redeemable in coin in January, 1879, several of the chief questions of fiscal interest must obviously point to this important fact. If we are to pay our greenbacks in coin at par in two or three years from the present time, it is of vast moment to us to know what progress we are making, and how much we have advanced along the path of preparation during the fiscal year which is so swiftly drawing to an end. We cannot bring the present volume of the **BANKER'S MAGAZINE** for the Centennial year to a close without directing the public attention to some of these vital questions.

Three preliminary steps must be taken, as everyone knows, to make the transition to specie payments practicable. We must accumulate a sufficient stock of coin to redeem with; we must lessen beforehand the volume of greenbacks to be paid, and before we attempt to begin the work of redemption the greenbacks must be at par with coin. Let us see what success has been gained in this threefold work during the fiscal year. On the 1st of July, 1875, the gold balance in the Treasury was \$79,854,410. As some 22 millions of gold notes were outstanding, the net gold coin elonging to the Treasury was 58 millions. On the 1st of May



the gold and silver balance of the Treasury amounted to \$77,605,429, the gold notes being 28 millions and the Treasury balance of gold and silver less than 50 millions. It thus appears that instead of increasing our accumulation of gold with a view to the redemption of the greenbacks, we have reduced our coin balance from 58 millions to 50 millions. Nor is this all, for over 14 millions of our present balance is silver coin, which is being used to pay off the fractional notes and to swell the sinking fund. These facts confirm what we have repeatedly said as to the paramount need of increasing the revenue by new taxation or else by the issue of a new loan, if we desire to make any progress in the task of accumulating specie in the Treasury with a view to resumption. At present, from the neglect of the warning, Congress has allowed the Treasury to become less strong in specie than it was a year ago, although we have produced during that period 80 millions of the precious metals. Unless a better policy is adopted and a more enlightened foresight controls the deliberations of Congress in regard to this part of the preliminaries to resumption, the Treasury six months hence will be weaker in gold than it is to-day.

The prospect is somewhat brighter in regard to the contraction of the greenback circulation. At the beginning of the fiscal year the greenback aggregate was \$375,841,687; on the 1st of May it had fallen to \$370,596,038. The progress, though slow, is positive, and it has been effected without the inflation of the National bank aggregate. Indeed the bank-notes have been contracted since May 1, 1875, by 5 or 6 millions more. This will be evident from the subjoined table, which shows the contraction in greenbacks and National bank-notes under the laws of 1874 and 1875:

CONTRACTION OF CURRENCY, JUNE, 1874, TO MAY, 1876.

	<i>April 1, 1875.</i>	<i>May 1, 1875.</i>	<i>July 1, 1875.</i>	<i>May 1, 1876.</i>
National bank-notes contracted by depositing greenbacks...	\$17,296,037	\$20,794,122	\$25,523,057	\$32,256,815
Less new National bank circulation issued since 20th June, 1874 .....	3,556,600	8,888,337	11,601,892	19,103,355
	\$13,739,437	\$11,905,785	\$13,921,165	\$13,153,460
Add greenbacks retired, viz., 80 per cent. on new National bank circulation issued up to date .....	2,845,280	3,948,240	6,228,420	11,472,124
Total contraction of currency under laws of June 20, 1874, and January 15, 1875.....	\$16,584,717	\$15,854,025	\$20,149,585	\$24,625,584

Still, although there has been some progress in the right direction we must be prepared to advance at a much more effective pace during the next two years, if we are to be successful in the work of beginning resumption without a financial convulsion. Many persons are anxiously inquiring how much gold we ought to have in the Treasury at the time of beginning to restore specie payments. A previous question is, how many greenbacks are outstand-

ing for us to resume on, and how firmly is the paper currency established at par with gold. If the greenbacks are at par, and if there should be no doubt that the public can get gold for them at par whenever they wish it, then a comparatively small amount of gold will be enough to keep the equilibrium of the circulation. But if there is much uncertainty on any of these points no amount of gold in the Treasury will answer the desired purpose. Hence it becomes an important question how we are advancing in the reduction of the gold premium. As it is needful that the greenbacks should be brought to par by natural means, and before we can begin effectively to resume cash payments, we ought, if we are really making solid progress in the work of preparation, to find the gold premium gradually falling. By reference to our gold quotations it will be seen that on the 1st of July, 1875, gold was at a premium of 17; it is now below 13. It might seem therefore that the premium has fallen one-fourth. But the question is not so simple as it appears.

A great number of influences are at work to disturb the gold premium besides the one isolated set of forces which we are here considering. Never since 1848 has the price of gold throughout the world been subjected to a more powerful perturbation than at the present time. The Californian and Australian gold supplies probably depreciated gold to the extent of 20 per cent. Some four or five years ago the depreciation seemed to stop, and the value of gold to remain as stationary as it was fifty years before. Since then a new set of disturbing forces have been let loose in the arena of the world's market for gold. The precise measure of these forces we must be content to estimate by simple conjecture. Some men would place them as high as 20 per cent., while others estimate them below 5 per cent. We are inclined to think that if gold depreciated from 1848 to 1868 by 20 per cent., it has appreciated at least half as much since that period. Not that this spasmodic advance of gold can safely be regarded as permanently established, but it is perhaps the central pivot, so to speak, of appreciation, above and below which the price will for some time oscillate. If this conjecture should prove true, then several anomalies in our gold market would receive a partial explanation. One of these is the advance in the gold-room since the panic of 1873, when gold went down below 107, and soon advanced and gradually culminated at 117. Such an advance is almost inexplicable as a result of the speculative and local causes to which it has been often ascribed. If, however, we assume this great general movement upward throughout the world, this tidal wave of appreciation, as the efficient cause of the advance of gold last year in our market, then its fall during the present year becomes much more significant as an indication of the rapid progress the country is making toward specie payments, for we have brought the greenbacks 4 or 5 per cent. nearer to par with gold in the face of these new and formidable forces which are operating against us. We throw out these hints by way of suggestion, and because they

are already beginning to attract the attention of some of our most intelligent men in Wall Street.

The only remaining topic we will at present refer to is the progress of the funding operations of the Treasury. It does not seem likely that any new attempt will be made this year to negotiate the 4 per cents. in Europe. Some persons are still agitating the propriety of our selling  $4\frac{1}{2}$  per cents. at par; others are in favor of accepting an offer from the Syndicates for 5 per cents. at a premium. The general impression throughout the country is that the next funding loan must be one of 4 per cent. fifty-year bonds at par in gold. The following table shows the progress of the funding operations of the Treasury during the last three years. In this period, as will be seen, nearly 300 millions of the new fives have been issued, and about the same aggregate of sixes redeemed, so that the total funded debt remains almost the same now as in July, 1873:

PROGRESS OF FUNDING, 1873-1876.

<i>Funded.</i>	<i>June 30, 1873.</i>	<i>June 30, 1874.</i>	<i>June 30, 1875.</i>	<i>July 31, 1875.</i>	<i>May 1, 1876.</i>
Fives.....	\$414,567,300	\$510,628,050	\$607,132,750	\$613,632,750	\$710,041,800
Sixes.....	1,281,238,650	1,213,624,700	1,100,865,550	1,095,858,550	984,999,650
Total.....	1,695,805,950	1,724,262,750	1,707,998,300	1,709,491,300	1,695,051,450
Unfunded....	452,012,763	419,835,491	420,690,426	417,902,538	412,896,808
Total debt.	\$2,147,818,713	\$2,143,088,241	\$2,128,688,726	\$2,127,393,838	\$2,107,938,258

## BANK TAXATION AND ITS EVILS.

BY DR. GEORGE MARSLAND.

It is superfluous to say that whatever mischief may flow from excessive bank taxation in ordinary times, these perils are much enhanced in this country by the prospective resumption of specie payments. Still there is not much probability, as we hinted in our last number, that any notable relief will be given at present by legislation to the fiscal burdens of the banks. Our State Legislature has adjourned, without passing either of the bills for the protection of the banks of this State from certain oppressive tax grievances which have elicited so much discussion. To the former of these two bills, we referred in a recent article. The other was introduced, April 13th, in the Senate and was duly passed; but the pressure of business in the House was fatal to its progress there at so late a period of the session. This important measure, with some other fiscal reforms of even superior claims, have been left over for discussion next year. The measure was very simple and effective. Nearly all that it professed to do was to provide the tax-payer with a more available right of appeal, so that his assessment, if it did him injustice, might be reviewed; and if his property were set down at a different or greater rate of valuation than that applied to other real or personal property, a re-assessment might be made under the order of the Supreme Court. When this bill is revived next year, we shall have some suggestions to

make as to one or two defects which have retarded its progress at Albany. At present it is only needful to say that the banks, without the help of their proposed new law, seem to have realized the chief benefits they promised themselves from it. The Tax Commissioners have pursued a conciliatory course, and there is reason to believe that most of the banks of this city are satisfied, on the whole; with the concessions the Tax Commissioners have made, and with the adjustment which has been finally agreed upon.

At various times, of late, we have received from the Tax Committee of the Clearing-House, and from the tax officers of the city, a number of elaborate reports and documents about this controversy, which, a month or two ago, seemed certain to cause litigation between the banks and the city authorities. As is familiarly known, the shares of our city banks, under the law of April 23d, 1866, have till this year been assessed at par, and the tax on this valuation was higher than that applied to the banks of Albany and other cities in this State; but no objection was made here, and if no change had been attempted in the principles of assessment, the recent trouble could never have arisen. But when the Tax Commissioners adopted their new rules, and enforced their altered interpretation of the law, the change was too great to be tolerated without some modification. Instead of taking the old methods of valuation at par, or of substituting the Boston plan of making the assessment on the market value of the shares, as shown by the actual sales at the Stock Exchange, the Tax Commissioners deemed themselves bound to value the several items of the property of the bank. They proceeded as follows: First, they set down the capital of a bank with its surplus, deducting the assessed value of its real estate; the sum thus resulting was divided by the number of shares, and the quotient was entered by the assessors in their books as the value for tax purposes of the shares of each bank. We need not stop to sketch the jungle of perplexities and anomalies of valuation that was thus created. The general result was that with few exceptions the shares of the banks were assessed at a valuation very much higher than the price which investors had to pay at the Stock Exchange, so that men who had spent \$10,000 in bank stock found themselves assessed in some instances at \$13,000 or more. When this matter was made clear to the Tax Commissioners, they readily consented to make the needful changes. In most cases, we are informed that the officers of each bank made their own estimate of the actual value of its shares as personal property and for tax purposes. The adjustment has thus been effected on a basis fair, if not satisfactory, to all parties, and nearly every bank in the city is reported to have accepted it. If this be done, there will be no litigation this year. It may be reasonably asked why a similar adjustment cannot be hoped for in future years, so as to prevent the necessity for any new legislation at Albany or at Washington. Surely the banks and the Commissioners of Taxes might come to some amicable understanding. We have made inquiries as to the

amount of the assessment this year as compared with previous reports at the tax office; we are informed that the complete aggregates for the present year will not be made up till July. The bank valuation for this year is, however, stated at \$73,390,989, giving an increase over 1875 amounting to \$11,787,978. The total valuation of the bank shares for tax purposes during the last three years has varied from 77 millions to 73 millions, the shareholders of the 77 banks assessed being more than twenty-five thousand in number. This will be seen from the subjoined table, which shows for the sake of comparison the other assessments of real and personal property in this city:

**BANK SHARES, REAL ESTATE AND PERSONAL PROPERTY ASSESSED  
IN NEW YORK IN 1873-1875.**

	1873.		1874.		1875.
Real Estate, assessed....	\$836,693,380	..	\$881,547,995	..	\$883,643,545
Resident, Personal.....	184,965,583	..	170,619,181	..	125,922,840
Non-resident, Personal..	29,831,665	..	26,964,430	..	17,986,325
Share-holders of Banks.	77,650,395	..	74,897,570	..	73,390,989
<b>Total Assessments..</b>	<b>\$1,129,141,023</b>	<b>..</b>	<b>\$1,154,029,176</b>	<b>..</b>	<b>\$1,100,943,699</b>
Number of Banks.....	78	..	75	..	76
Number of Share-holders	26,059	..	25,122	..	25,236

Although there is a general satisfaction in the financial circles that a friendly settlement of this dispute has been reached, we can not forbear repeating the obvious caution against badly adjusted and indiscriminate taxation of the banks. We have always contended that moneyed institutions should bear their fair share of fiscal charges. But in no other country are the banks singled out for special taxation as they are amongst us. And for reasons which are patent to every observer, there has scarcely ever been a time when our banks could less easily bear oppressive fiscal burdens. The whole subject of bank taxation needs and will repay thorough investigation.

### WHY ARE BANKING PROFITS SO LOW?

THIS is a very broad question, but it admits of a brief reply. Every one knows that the gains of the banking business, in any country, are always proportional to the activity of the banking movements which are there kept up. If, then, bank dividends have fallen off in the United States and in Europe, the cause of the decrease must be sought in the diminished vigor of the trade and commerce of the world, which has received a notable check since our panic of 1873. Some persons, indeed, go so far as to ascribe to that event all the mischief and depression which has since been so conspicuous. But this is an evident mistake. Our monetary revulsion of three years ago was a local symptom of a much wider malady. The Jay-Cooke panic was caused by the refusal of capitalists at home and abroad to go on sinking money as they

had done in unprofitable railroads, and other works, which convert floating into fixed capital. Throughout the whole civilized world this conversion had been for years advancing to a reckless and inordinate extent, and the capitalists refused to let it go on. Hence it has been somewhat facetiously said: "Capital is on strike!" What is certain is, that the general confidence, which is so essential a condition of prosperity, has received a severe blow. The banks all over Europe, as well as those of America, are full of floating capital, which shrinks from fixed investments, and seeks to lend itself on call or at short dates. Here, then, we have two facts which help to diminish banking profits. First, there is a plethora of idle capital; and secondly, the rates of interest favor the borrower, and the movements of capital are sluggish and torpid in consequence of the general depression, want of enterprise, and industrial languor.

That such is the monetary situation here, is notorious to us all, and that our symptoms are precisely the same as those which are complained of abroad, is equally certain. If proof were needed, we might point to the European journals, whose columns of late have been replete with evidence of the monetary plethora. A single citation must suffice from the *London Times*: "Money is very abundant, and the demand for it so small, that quotable rates are difficult to give. More complete stagnation could scarcely exist, and yet the uneasy feeling which has for some time prevailed, does not grow less. The unemployed balances in the hands of bankers and brokers are themselves indications that it continues; those who have money do not care to lend it at the present rates, because they are not sufficient to make it worth while to run any kind of risk. The fall in many foreign stocks has also caused them to be thrown out of the list of securities to be lent upon by the bankers, and the fear which possesses the public mind prevents people from re-investing what they may have saved from the various wrecks. In all ways, therefore, money tends to stagnate on deposit, and it is by no means easy to see when it can begin to find employment again. Trade is still shrinking, and requires little capital outside the available means of traders, and the 'new outlets' longed for do not appear. Foreign Governments all round are, with few exceptions, too discredited to obtain money with which to galvanize anew the swollen iron industries of the country by embarking in a new 'development of resources,' and the openings for new joint-stock enterprises are at present comparatively few. A gradual recovery will, no doubt, in time, follow; but as yet the market has not reached the point where recovery may be expected to begin. More failures are looked for, politics continue threatening; the foreign loan and foreign joint-stock company financings have not yet borne all their fruits, and until the worst has been revealed,—until men can feel that they are no longer likely to have to contend with hidden dangers, profitable occupation for money, and healthy enterprise, are not likely to return. Speculation on the Stock Exchange,—

that last resort of persons of falling fortunes and hope of the foolish,—is also gradually narrowing as one group after another departs stripped, and the more it is narrowed the less demand will there be for loans on stocks. This dull time is, therefore, likely to continue unless some event occurs to cause distrust in quarters hitherto unsuspected. Nothing but a panic of the 1866 type could cause a sudden rise in the value of money just now, and the manner in which the banks have stood the strain on credit of the past twelvemonth, has effectually prevented any blind outburst of unreasoning fear of that kind. We have had a succession of isolated panics, due to the revelations of rottenness in States heretofore more or less trusted, but none of them have reached the sound general credit of the country. That is, so far, very satisfactory, but it may not make the return of buoyancy any the more sudden or sure. It is rather to be feared that poverty and loss are more widely spread now than they have been in any of the acute forms of panic, and that recovery may, therefore, be long in coming."

Here, then, we have a suggestive answer to the question which stands at the head of this article. We see what are the great pervading forces which are at work throughout the world to make legitimate profits small and precarious in the banking business. But, in addition to these active causes of a general character, there are local causes which affect our own monetary and banking systems, and which tend to depress confidence and to hinder recuperation. The nature and tendency of these depressing forces we have so often expounded that we need not now do more than refer to them. Our present purpose is simply to point out the important fact, which is too often overlooked, that if the profits of banking are smaller than heretofore in this country, we are suffering in sympathy with other commercial countries, some of which are worse off than ourselves, and have less prospect of an early recovery of prosperous activity.

---

### IS THE TAXATION OF MORTGAGES DOUBLE TAXATION?

The decision of the Supreme Court of California, that mortgage taxes involve the vicious principle of double taxation, has not been without its effect in other States. The Legislature of New Jersey has just resisted a vehement effort on the part of a strong faction to re-impose the mortgage taxation in the five counties which have been for some years exempted from it. The principle is adopted by New Jersey, which other States might with advantage copy, of leaving it optional with the parties whether the tax be paid by the mortgagee or by the mortgagor. But after the tax is once paid by either, no demand is made on the other. An irritating and mischievous controversy has thus been adjusted in that State

on principles which should be equally satisfactory to all parties. It appears, however, that there are influential persons who are still unconvinced, and who may hereafter try to revive the contest. But it is impossible that an intelligent public opinion should support their efforts.

In the States of Connecticut and Pennsylvania, mortgages on real property are exempted from taxation over a very considerable portion of their respective territories. The result has proved beneficial to the States and districts in which the exemption prevails. It has resulted in the loaning of money by capitalists more freely on mortgages for agricultural purposes, and for the improvement of both farming lands and of real estate in cities. It has increased the population of towns and cities, where individuals who have invested moneys in mortgages may reside and draw their interest without deduction for the purpose of taxation, the real estate upon which the mortgage rests paying the burden. Under the laws of New York, mortgages on land are subjects of taxation; and as they are obliged to be recorded in a public office to render them perfect securities, they are open to the inspection of the assessors, and are certain to be reached. They cannot well be concealed. The rate of interest allowed is fixed at seven per cent. per annum. Taxation on mortgages and on the income derived therefrom has the effect to reduce the rate of interest to the holder to less than five per cent. per annum. The consequence follows that fewer persons care to loan money on such security. Certain trust funds and a portion of the capital stock of some corporations, life and fire insurance companies, must continue to be so invested, not from choice, but because compelled by law; but the amount is inconsiderable in comparison with what was formerly done. This condition of affairs is unnatural. Loans by way of mortgage on real estate, bearing interest at the legal rate, should be a favorite investment. If judiciously made, no security can be better. Such investments, from their nature, deserve encouragement in every point of consideration. They furthermore cause real estate to be more conveniently handled and disposed of. Such investments and loans tend directly to the improvement and increase in the value of real property. The proper method of relief is to exempt mortgages from taxation. The mortgage is a mere lien on the reality. It is a collateral security to a bond which the mortgagor must pay to secure a discharge of his property from the force of the mortgage. Were this a chattel mortgage, or a lien on personal estate of any character, or even an open, unsecured debt, the owner of the chattel, or debtor, would be allowed to deduct the amount from his personal estate in fixing the amount and value of that description of property liable to taxation. But if a mortgagor, in a real estate mortgage, owns no personal estate, while he is liable to be assessed the full value of his real estate, he is allowed no deduction for the mortgage, and the holder of the mortgage is assessed, in addition, for the amount of the mortgage in his hands as personal estate. This operates clearly as



a double taxation, both the realty into which the mortgage enters as a part of its value and the mortgage itself being taxed.

The opposite view is so well refuted by the elaborate argument of the Court in the case above referred to, that the pleas on which it is contended that mortgage taxes are not double taxation, will not need to be further discussed here. The principle on which the California decision rests might, if needful, be supported by many distinguished authorities. The doctrine held by the Court is stated as follows by Mr. Justice Blackstone: "By means of our national debt, the quantity of property in the Kingdom is greatly increased in idea, compared with former times; yet, if we coolly consider it, not at all increased in reality. We may boast of large fortunes, and quantities of money in the funds. But where does this money exist? It exists only in name, in paper, in public faith, in Parliamentary security; and that is undoubtedly sufficient for the creditors of the public to rely on. But, then, what is the pledge which the public faith has pawned for the security of these debts? The land, the trade, and the personal industry of the subject, from which the money must arise that supplies the several taxes. In these, therefore, and in these only, the property of the public creditors does really and intrinsically exist; and of course the land, the trade, and the personal industry of individuals, are diminished in their true value just so much as they are pledged to answer. If A's income amount to £100 per annum, and he is so far indebted to B that he pays him £50 per annum for his interest, one-half the value of A's property is transferred to B, the creditor. The creditor's property exists in the demand which he has upon the debtor, and nowhere else; and the debtor is only a trustee to his creditor for one-half the value of his income. In short, the property of a creditor of the public consists in a certain portion of the national taxes. By how much, therefore, he is the richer, by so much the nation, which pays those taxes, is the poorer." (Blackstone's Com., vol. i, p. 327.)

We cite this quotation from Blackstone, not to apply his principles to public debts, but for the sake of showing what those principles are. He distinctly shows that if a given aggregate of property is mortgaged, the new claim that is created by the contract is not to be regarded as a new piece of property, but rather as a lien on the old property. This is, as will be at once seen, the same doctrine which we have been vindicating. Blackstone holds and defends the precise ground on which the Supreme Court of California rested its decision in the case before us. Where this great rule of jurisprudence is generally understood, it will effectually preserve us from the error of supposing that because a mortgage loan calls into existence new rights and transferable claims, recognized by the courts, and protected by the laws,—rights and claims which may be bought and sold like any other property,—that such a loan therefore creates a new increment of property, and adds to the mass of wealth which was previously in existence subject to taxation.

## CASH RESERVES AS A GUARANTEE OF BANK SOLVENCY.

"In the cash reserves of the banking system of any country," it has been said, "we have a very good test by which to measure their probable solvency and strength in time of panic." In conformity with this principle, the National banking system of the United States has always had the distinction of providing by statute a more efficient means than exists in most other countries for insuring the permanency and sufficiency of the cash reserves of the banks. From the annual reports of the Comptroller of the Currency, an interesting statement might be compiled of the results of this provision, and of the benefits it has conferred, both by warding off panics which threatened, and by enabling the country to bear with less exhaustion such panics as have occurred. The subjoined table shows the changes which have taken place in the bank reserves during the last five years in the reserve cities.

CASH RESERVES OF NATIONAL BANKS IN THE RESERVE CITIES.

	No. of banks.	Circulation and deposits.	Reserve required.*	Reserve held.	Ratio of reserve per ct.	Due from reserve agents.
Oct. 8, 1870..	215	\$409,354,636	\$102,338,658	\$118,633,295	29.0	\$22,211,484
Dec. 28, 1870..	218	423,129,686	105,782,421	124,066,544	29.3	20,898,058
Mar. 18, 1871..	223	469,716,268	117,429,067	138,670,665	29.5	28,449,035
Apr. 29, 1871..	225	478,079,967	119,519,991	144,809,918	30.3	29,413,318
June 10, 1871..	226	504,449,317	126,112,328	159,704,311	31.6	33,061,561
Oct. 2, 1871..	230	484,634,132	121,158,532	134,463,829	27.8	31,241,785
Dec. 16, 1871..	226	456,721,899	114,180,474	126,916,204	27.8	28,741,375
Feb. 27, 1872..	228	475,032,357	118,758,089	126,440,065	26.6	30,692,217
Apr. 19, 1872..	227	461,111,331	115,277,832	124,840,245	27.1	29,883,416
June 10, 1872..	227	500,037,031	125,009,257	144,672,289	28.9	33,733,421
Oct. 3, 1872..	230	443,845,782	110,961,445	112,152,056	25.3	28,173,633
Dec. 27, 1872..	233	462,035,037	115,508,759	123,136,887	26.7	30,074,456
Feb. 28, 1873..	230	478,040,388	119,510,097	122,710,780	25.3	32,486,648
Apr. 25, 1873..	230	465,796,482	116,449,120	119,676,330	25.7	29,797,236
June 13, 1873..	231	502,959,230	125,739,807	145,209,534	28.9	34,859,208
Sept. 12, 1873..	229	475,521,916	118,880,480	118,679,153	25.0	32,279,437
Dec. 26, 1873..	227	453,081,026	113,270,257	127,402,586	28.1	21,843,566
Feb. 27, 1874..	227	518,570,014	129,642,504	158,940,175	30.6	34,463,818
May 1, 1874..	227	523,075,980	130,768,995	155,563,677	29.5	33,717,715
June 26, 1874..	228	528,619,121	106,380,827	159,275,638	37.4	35,508,075
Oct. 2, 1874..	230	521,561,727	106,136,122	144,307,997	34.0	31,142,306
Dec. 31, 1874..	230	509,411,623	103,317,529	132,318,803	32.0	26,553,818
Mar. 1, 1875..	228	514,806,921	105,560,158	132,217,368	31.3	30,967,551
May 1, 1875..	231	507,208,290	104,199,595	129,803,941	31.1	28,559,818
June 30, 1875..	231	532,175,922	111,317,435	154,560,093	34.7	31,291,415
Oct. 1, 1875..	236	512,848,868	106,542,005	134,976,509	31.7	32,322,812

\* Before June 30, 1874, the required reserve in reserve cities was 25 per cent. of circulation and deposits; since that date, 25 per cent. of deposits only.

Ample cash reserves, indeed, have been regarded by some persons as a sure preventive of panics. Although, as we shall presently see, this is not true, still, a correct view of the functions which

cash reserves are able to perform in the bank economy, will demonstrate the necessity of keeping up with jealous care this part of our financial system, if we are to achieve successfully the resumption of specie payments in 1879. The subjoined table shows the changes in our National bank reserves during the past five years in the smaller cities:

CASH RESERVES OF NATIONAL BANKS IN THE SMALLER CITIES.

	No. of banks.	Circulation and deposits.	Reserve required.*	Reserve held.	Ratio of reserve per ct.	Due from reserve agents.
Oct. 8, 1870..	1,400	\$405,984,765	\$60,807,713	\$84,777,956	20.9	\$44,064,185
Dec. 28, 1870..	1,430	407,721,473	61,158,221	85,723,389	21.0	43,977,006
Mar. 18, 1871..	1,465	426,501,897	63,975,285	95,615,960	22.4	55,360,196
Apr. 29, 1871..	1,482	438,555,545	65,783,333	98,698,874	22.6	55,647,695
June 10, 1871..	1,497	445,275,395	66,791,309	101,706,605	22.8	59,307,684
Oct. 2, 1871..	1,537	467,619,031	70,142,855	98,946,184	21.2	55,636,824
Dec. 16, 1871..	1,564	465,947,077	69,892,062	91,728,626	19.7	49,244,222
Feb. 27, 1872..	1,586	484,197,695	72,629,654	102,275,001	21.1	58,856,111
Apr. 19, 1872..	1,616	487,394,283	73,109,142	98,012,845	20.2	52,236,599
June 10, 1872..	1,626	490,841,566	73,626,235	101,821,660	20.7	57,830,847
Oct. 3, 1872..	1,689	509,415,295	76,435,968	97,765,876	19.2	52,543,440
Dec. 27, 1872..	1,707	503,568,806	75,535,321	102,069,282	20.3	56,327,007
Feb. 28, 1873..	1,717	521,394,885	78,209,233	108,246,881	20.6	63,286,431
Apr. 25, 1873..	1,732	522,649,052	78,428,804	105,693,322	20.2	59,018,321
June 13, 1873..	1,737	527,741,608	79,204,426	108,935,374	20.6	62,284,121
Sept. 12, 1873..	1,747	536,925,203	80,593,659	110,456,096	20.6	63,854,682
Dec. 26, 1873..	1,749	486,180,869	72,985,967	101,120,726	20.8	50,914,693
Feb. 27, 1874..	1,748	510,946,655	76,700,872	115,577,200	22.6	66,814,671
May 1, 1874..	1,751	521,953,283	78,351,858	112,637,640	21.6	60,112,230
June 26, 1874..	1,755	522,874,575	43,173,243	111,464,693	38.8	61,978,337
Oct. 2, 1874..	1,774	527,506,306	44,077,914	100,641,694	34.3	52,714,793
Dec. 31, 1874..	1,797	535,679,077	45,487,042	103,592,165	34.2	53,935,013
Mar. 1, 1875..	1,801	536,289,193	46,018,207	106,826,053	34.9	59,021,683
May 1, 1875..	1,815	536,716,262	46,020,096	100,691,135	32.9	52,061,059
June 30, 1875..	1,845	541,385,844	46,996,069	105,154,553	33.6	58,439,613
Oct. 1, 1875..	1,851	537,418,449	46,304,791	100,128,907	32.5	53,322,152

\* Before June 30, 1874, the required reserve in States and Territories was 15 per cent. of circulation and deposits; since that date, 15 per cent. of deposits only.

To complete the foregoing tables, and to illustrate the changes produced in the reserve requirements of the National banking system, we may state that the whole of the National banks held on October 1, 1875, \$26,400,000 more of reserve than would have been required prior to the act of June 20, 1874, and \$82,400,000 more than is required under that act. The amount of cash reserve held was \$148,500,000, which sum exceeds by \$25,000,000 the amount required prior to June 20, 1874, and is \$43,300,000 greater than that required under the present act. These facts are exhibited in the following table:

RESERVES OF THE NATIONAL BANKS, OCTOBER 1, 1875.

Location of banks.	Total reserve required.		Re- serve held.	Greenbacks required.			Green- backs re- leased by act June, '74.	Classification of reserve held.			
				Act of June 20, '74.				Nat. bank act.	Other Due		
	Act of Nat. June 20, bank 1874. act.			In the Treas. bank. ury.	Total.	Spa- cially lawful from money. agts.			Other lawful from money. agts.		
	mill.	mill.								mill.	mill.
States and Territories..	\$45.9	\$80.3	\$99.7	\$13.7	\$11.6	\$25.3	\$32.3	\$7.0	\$1.2	\$45.3	\$33.2
New York City .....	50.6	55.1	60.5	49.5	1.1	50.6	55.1	4.5	5.0	55.5	50.5
Other reserve cities.....	55.1	72.2	73.8	25.7	3.6	29.3	36.1	6.8	0.8	40.7	32.3
Totals.....	151.6	207.6	234.0	88.9	16.3	105.2	123.5	18.3	7.0	141.5	85.5

It is thus clearly proved that the National banks have held of actual cash considerably more than 10 per cent. reserve against their circulation and deposits. Still, it must be acknowledged that the practical operation of the law of 1874 was very different from what was expected by some of its framers. They expected that the banks, in return for their currency privileges, would hold a permanent reserve of 25 per cent. in greenbacks or coin. Had this plan been carried out, gold would probably have never risen beyond 140, its price March 25, 1863, when the first National Bank Act became a law. Moreover, if this wholesome preventive of the expansion of credits had been active throughout the war, the obstacles to specie payments created by paper money inflation would have been kept under so severe a restraint, that resumption in all probability would have followed the close of the war, without any revulsion, and by the simple action of natural causes, which are obvious and well known. On the restoration of peace, gold would have been at par with greenbacks, so that the legal resumption of specie payments would soon have become practical.

We might with advantage enlarge the foregoing tables so as to show the comparative changes in the reserve during the earlier years of the National banking system. The figures we have given will, however, suffice for the present purpose. They demonstrate the chief facts relative to our banking reserves, with which we are now concerned. In the first place, they show that all the National banks throughout the country are fortified with an ample cash reserve, and that the law which enforces it has so far worked well. Secondly, they suggest the necessity of some reforms. In 1863, when the first National bank law was passed, one of the reasons advanced in favor of granting to the banks the privilege of note issues, was, that the profits thence derived would enable the banks to afford to keep in their vaults a large proportion of lawful money reserve. The stability thus given to the banking system, and the benefits resulting to the trade and finance of the country, would be worth, it was argued, far more than the cost to the country of the currency privilege given to the banks. At first the intention was that the banks should all hold 25 per cent. of lawful money against their circulation and deposits. This rule was a very salutary one, and if it had been enforced in 1863, much of the inflation of subsequent years would have been rendered impossible. The bank laws of 1863 and 1864, however, lowered the reserve to 15 per cent., except in New York and other reserve cities, from which alone the 25 per cent. reserve was required. Nor was this all. Three-fifths of the 15 per cent. reserve was allowed to consist of deposits in banks in the larger cities; and these banks again were permitted to subdivide it by placing one-half of their own reserves in banks in the city of New York, where again it was subject to a further process of reduction, as the New York banks are only required to hold 25 per cent. cash reserve for their own liabilities, of which these deposits are a part. Making due allowance for this process of duplication and reduction, it has

been estimated that the aggregate reserves of cash held by all the National banks of the United States during the last twelve years have fallen below 10 per cent. of their liabilities of circulation and deposits. This average is supported by the high authority of the Clearing-House committee, in their celebrated report of November, 1873. We venture to think that this estimate does not do the banks complete justice. Our opinion receives some confirmation from the foregoing statistics taken from the Comptroller's report. It is demonstrated by the subjoined table, so far as the last six years are concerned:

RESERVES OF ALL NATIONAL BANKS, 1870-1875.

Dates.	No. of Banks.	Liabilities.				Classification of reserve.					
		Circulation.	Net deposits.	Total.	Re-serve required.	Re-serve held.	Ratio of reserve.	Classification of reserve.			
								Specie.	Other lawful money.	Due from agts.	
		mill.	mill.	mill.	mill.	mill.	per ct.	mill.	mill.	mill.	
Mar. 24, 1870..	1,615	\$292.5	\$558.6	\$851.1	\$172.3	\$235.5	27.7	\$36.0	\$126.1	\$73.4	
June 9, 1870..	1,612	291.2	577.2	868.4	176.3	239.8	27.6	27.1	138.1	74.6	
Oct. 8, 1870..	1,615	291.8	523.5	815.3	163.8	203.4	24.9	14.5	122.6	66.3	
Apr. 29, 1871..	1,707	306.1	610.5	916.6	185.3	243.5	26.6	18.3	140.1	85.1	
June 10, 1871..	1,723	307.8	641.9	949.7	192.9	261.4	27.5	16.2	152.8	92.4	
Oct. 2, 1871..	1,767	315.5	636.7	952.2	191.3	233.4	24.5	12.0	134.5	86.9	
Apr. 19, 1872..	1,843	325.3	623.2	948.5	188.4	222.9	23.5	19.6	121.2	82.1	
June 10, 1872..	1,853	327.1	663.8	990.9	198.6	246.5	24.9	20.0	134.9	91.6	
Oct. 3, 1872..	1,919	333.5	619.8	953.3	187.4	209.9	22.1	10.2	119.0	80.7	
Apr. 25, 1873..	1,962	338.1	650.3	988.4	194.9	225.4	22.8	16.9	119.7	88.8	
June 13, 1873..	1,968	338.8	691.9	1,030.7	204.9	254.1	24.7	28.0	129.0	97.1	
Sept. 12, 1873..	1,976	339.1	673.3	1,012.4	199.5	229.1	22.6	19.9	113.1	96.1	
May 1, 1874..	1,978	340.3	704.7	1,045.0	209.1	268.1	25.7	32.5	141.8	93.8	
June 26, 1874..	1,983	338.5	713.0	1,051.5	210.6	270.7	25.7	22.3	150.9	97.5	
Oct. 2, 1874..	2,004	332.5	716.5	1,050.5	210.0	244.9	23.3	21.3	139.8	83.8	
May 1, 1875..	2,046	323.3	720.6	1,043.9	207.3	230.5	22.1	10.6	139.3	80.6	
June 30, 1875..	2,076	318.1	755.4	1,073.5	214.3	259.8	24.2	19.0	151.1	89.7	
Oct. 1, 1875..	2,087	318.4	731.9	1,050.3	208.9	235.1	22.4	8.1	141.4	85.6	

Thirdly, the reforms which have been needful in our bank law from the beginning in regard to the cash reserve, have not only been neglected, but an opposite policy has been adopted. This is conspicuously seen in the law of June 20, 1874, which, on well-known conditions, released the banks from their obligation to hold 15 or 25 per cent. cash reserve against their circulation, but left them free from that part of their old burdens of reserve, except that they had to deposit greenbacks in the Treasury to the amount of 5 per cent of their circulating notes. It will be seen from the foregoing statistics, that the aggregate depletion of the required reserves was about 18 millions, of which nearly 5 millions took effect in New York, 7 millions in other reserve cities, and 7 millions in other parts of the country. Had the banks availed themselves of the full measure of relief granted them by the Act of 1874, it is easy to see that the reserve of our banking system generally would have been very much depleted. Hence it appears that the law of 1874 has introduced a serious innovation of policy, whose effects have scarcely as yet begun to make themselves felt.

The depression of commercial vitality which prevails all over the world, has been peculiarly violent in this country. Beginning with the panic of 1873, it has precipitated upon us a multitude of oppressing forces, which have checked inflation and kept under

restraint those movements of credit expansion which have lately been introduced into our banking system. As soon as this cloud of depression passes off, and the financial horizon is once more clear, we shall see more of the true nature, and we can better measure the probable effects, of the new policy embodied in the reserve legislation of 1874.

Fourthly, we may observe that this legislation has not produced much diminution in the reserves actually held by the banks, and some people have consequently formed a wrong estimate of its importance. But the reason why the law has failed to produce as much inconvenience as might have happened, are not far to seek. Some of them arise, as we have just said, out of the dull and sensitive condition of business. The banks, like the merchants and other men of business throughout the country, have a salutary dread of letting their reserves run too low. A conservative caution predominates in all classes of the community. Public opinion is sensitive and ready to take the alarm. By the publicity which is an essential part of our banking system, the people are made acquainted with the actual condition of their banks through frequent reports. This being so, we need not be surprised to find that in all our chief cities the banks are loaded up with idle capital, which they cannot safely lend at a remunerative profit, and that for this and other reasons the greenback reserves tend constantly to accumulate. But it is our duty as citizens and legislators to look beyond the present moment, and to endeavor to estimate the more permanent effects of all our changes of policy. In the present case the prospect certainly does not appear very hopeful. Finally, we must not forget that for nearly twenty years the safeguard of a legal minimum of reserve has been enforced by public opinion and by law in this State and elsewhere. This provision has been steadily kept up, although complaints have been sometimes expressed by unfriendly critics here and abroad, at the enforcement of a rigid stipulation of the law which compels banks to hold a definite sum of lawful money in proportion to their liabilities. The objectors contend that it is impossible to attach a fixed and inflexible rule to a mobile fund, which is continually fluctuating, and, being held to meet sudden contingencies, is in its very nature a variable quantity. No statute can define the circumstances or the exact periods during which sound principles of banking require that the reserve should be increased or diminished. Hence the inference is drawn that danger must result from the attempt to enforce a law requiring that a cash reserve shall be always kept.

It is no part of our present purpose to waste words in replying to this quibble, or to demonstrate by argument that if a bank reserve was created on purpose to be used, it is absurd to say that a bank officer who draws upon his reserve to meet the very claims for which it was intended, is false to the official oath which he takes to obey the law. These objections, however plausible in theory, offer few difficulties in practice. A bank president, like a military commander, cannot be definitely instructed when he may employ

his reserve force; but both the one and the other would lose our confidence if they were not to look after their reserves, or if they pretended to think that so important a portion of their organization should be abandoned or be reduced in efficiency. Reserves are as needful to a bank as to an army, and even more so; for so long as bank debts are subject to payment on demand, so long must every bank keep sufficient cash in hand to meet whatever demand claims can possibly be presented for payment. It must always be remembered that in this country we have no great predominant central bank, such as exists in England, France, Germany, and other commercial nations. Hence our banking system, consisting of State banks, private banks, savings banks, and trust companies, depends for its efficiency on the stability of the National banks. As the solvency and strength of the British banking system in time of pressure rests on the Bank of England and its reserves, so the reserves of our National banks are the last resort of the financial system of this country, and upon these institutions the mercantile prosperity and productive strength of the country greatly depend. In view of these principles, it appears that in accepting the currency franchise, every National bank should regard itself as invested with a paramount obligation under the law, to hold not only the minimum reserve prescribed, but such a further proportion of actual cash as the extremest needs of probable pressure may demand. To diminish the strain and pressure of a panic on the reserves of the banks, it has been suggested that the principle which our clearing-houses have applied to banking might be applied generally to regular business by a simple expedient. This scheme proposes that the banks should keep with their dealers two separate accounts,—one for "cash" and the other for "bank credit,"—each payable in kind. If this plan were carried out, we should, it is contended, be able to avert any disastrous "run" upon the banks in times of panic. It is unnecessary to refute the ingenious arguments and the speculative dogmatism which have exhausted themselves upon this utopian scheme. Its advocates have done little of value to solve the great question how the methods of "clearing" as operated through the machinery of banks and clearing-houses may be extended to the smaller exchanges of the community so as to save labor, to economize currency, and to render less needful the existing reserves held by the banks in ready money.

But in the present crisis of our National finances, it is the part of wisdom for the United States, with its great commerce and growing productive power, to accept the teachings of practical science, and to pursue the well-beaten track which the trade and finance of all countries past and present inversely prove to be safe. Relying, then, upon the experience of older commercial nations, as well as on that of our own country, we find evidence that the volume of reserve should be in proportion of one-fourth to one-third of the direct liabilities of a bank, and whenever it falls below this proportion judicious measures should be taken by the banks

to replenish it, even though there be no legislation to enforce this conservative action. The New York Clearing-House Association in 1857 established a minimum ratio of 20 per cent. in coin, which was for a considerable time carefully observed. To meet the greater difficulties of our war finance in 1860, the New York Clearing-House banks increased their minimum of reserve to 25 per cent. There are many circumstances arising out of the past inflation and present sensitive condition of our currency system, which increase the dangers of insufficient reserves. Besides these there are others which may result from the operation of the law which permits the bank reserve to consist of coin or of legal-tender notes, and at the same time compels banks to receive as money the notes of National banks, which in legal payments are not money; so that for practical uses as "reserve" the banks are troubled by two sorts of current money, one of which is above and the other below the standard quality. It is a striking illustration of our present financial condition, that while the notes of the banks are a qualified legal tender, gold coin, which is the money of the world, and is abundantly produced in this country, cannot be absorbed into our banking system, but is sometimes even a cause of enhanced trouble in the money market, because stocks of gold held and manipulated in Wall street require money to carry them, and thus in times of stringency help to make money tight. The opinion has largely prevailed, that because the business of this country since the war has been conducted upon a basis of irredeemable paper there can be no suspension of cash payments, has been less popular since the panic of 1873, when the contrary opinion was established, that a paper currency, which, from its nature is limited in volume, must be exposed to special dangers, and may partake somewhat of an explosive character. The great revulsion of 1873 showed the country how rapidly our banks could be depleted of their scanty reserves, and how easily 34 millions of greenbacks could be withdrawn from the vaults of the New York banks. Moreover, if we remember how inadequate is the reserve permitted by law to be held in the interior banks, we should require no other evidence to establish the position that our banks generally must be especially careful about their reserves, during the whole period in which the country is approaching specie payments.

These arguments might be extended and confirmed by a survey of the past history, or by an analysis of the present condition, of the chief banking systems of Europe. The foreign journals, and particularly the *London Times* and the *Daily News*, have discussed this subject very frequently of late. The *Economist* of April 22 offers some suggestive remarks, with which we will bring the present article to a close. Our contemporary, as will be remembered, holds the opinion which we have several times controverted, that the Bank of England is bound to hold a sufficient reserve, both for its own needs and for those of the other banks of London, some of which have a larger aggregate of deposits than the



Bank of England itself. But for the purposes of the present argument our contemporary's vicious doctrines on this subject do not impair his authority, but rather enhance it. He speaks of the guarantees of a large banking reserve as follows: "The events of the last year have somewhat perplexed many of our clever men of business, who have for years been used to watch the money market. They are puzzled to understand why such great calamities as the failure of the Collies, with the accompanying mercantile disasters of last year, and as the collapse in many foreign securities, now involving to the holders a loss of millions, should not excite more apprehension. When we were young, these experienced judges say, such events would have gone far to cause a panic, if, indeed, they did not do so completely. And there can be little question that several former panics—for example, that of 1857—were produced by much smaller causes, and were in themselves of less magnitude than the misfortunes of the last twelve months. We must remember that it is in the nature of a panic to hurry on and cause to happen at once a great number of events which, if not so accelerated, would have happened one by one, besides adding to them others. If, for example, there had been a panic last year when Collie failed, much of the depreciation of unsound foreign securities which we now see would have occurred at once, and some suspensions of banks would probably have happened as the result of both. A great destruction of credit, like a panic, makes it very difficult for any kind of unsound business to continue to be carried on, and many persons whose affairs are in the main sound, but who have touched a little of what is bad, are usually pulled down also. And if this had happened last year—if in addition to many mercantile failures of great importance there had also happened the present ruin on the Stock Exchange, with some suspensions of banks also,—we should have had a total of ruin far surpassing that of 1857, and still further exceeding that of such years as 1837 and 1839, which were periods of great alarm and apprehension, though not of absolute panic. It is not from want of calamity that the state of credit has continued tolerable, but from another cause.

"That cause is the improvement in our banking system, and especially in the policy of the Bank of England. In former times, when great calamities happened, the Bank till was empty; there was no sufficient fund to support credit. The bullion in the Banking Department, at the most trying period of 1857, and the bullion at the corresponding periods of 1839 and 1837, were: November 4, 1857, bullion, £8,498,000; reserve of notes, £2,155,000; August, 1839, bullion, £2,405,000; March, 1837, bullion, £4,048,000. Whereas, when Collie failed, the corresponding figures were: bullion, £23,843,000; reserve of notes, £11,618,000. And this caused the whole difference. There was no great apprehension, because it was universally felt that we had in hand a large sum to meet calamity. And just so now, if the reserve in the Banking Department had been as low as in 1857, the bankruptcy of so

many foreign States, with the fall in the price of their securities (for Stock Exchange securities, apart from gambling proceedings, are an article of dealing and merchandise on a great scale), would have caused very much more perturbation than it does. And if that and Collie's collapse had come together there would have been extreme alarm, and there might have been panic. Concrete cases of this kind bring before the minds of men of business the importance of strictly adhering to sound banking principles much better than any elaborate reasoning. They see at once how much evil is caused by departing from them, and how much good by adhering to them. And we refer to them now because there is some danger that younger men of business, who do not remember old calamities, should take our present exemption from extreme evils too much as a matter of course, and as something which *must* have happened; whereas, in fact, that exemption would not have happened if the Bank of England had not kept a good reserve for us, and, but for their doing so, we should very probably have suffered alarm, apprehension, and a destruction of credit in very aggravated forms indeed."

Whichever way we look, the evidence multiplies and crowds upon us to show that the question of bank reserves is destined to attract more attention both at home and abroad during the next ten years than ever before. The unprecedented extension of deposit banking, the vast magnitude of modern clearing-house transactions, and the economies of currency thus developing themselves on all sides, have caused new dangers to threaten the stability of the too rapidly expanding financial machinery. To meet the perils of this new time, new safeguards will need to be devised, and among these a prominent place must ever be claimed for abundant bank reserves.

---

## NATIONAL DEBTS AND NATIONAL RESOURCES.

In the financial annals of the nineteenth century, the past thirty years will deserve to be known as the debt-creating period, for it far surpasses the eras that have gone before it in its colossal accumulations of public and private and corporate obligations of every conceivable kind. In ancient Greece and Western Asia war was supported very often by treasures heaped up beforehand. The Romans made war support war, as did the French in their Napoleonic campaigns in Italy and Spain, as well as the Gothic invaders of Italy in all ages. Xenophon and some other classic writers mention a peculiar kind of public debt which consisted in deposits of the public money in the hands of citizens of wealth for safe-keeping, instead of hoarding it as was the usual custom in his day, by placing it in some repository, which was usually the temple of some of their deities. The origin of public debts in their modern form does not date farther back than the

credit system, which was gradually established by the Hanse towns and their extensive connections; still it is probable that most of the European States were in the habit from remote antiquity of anticipating their revenues by temporary loans, both to meet emergencies and to carry on the ordinary business of the Government. Venice, Genoa and other Italian republics were the first to convert temporary loans into a more permanent form.\* They were followed by the warlike monarchies of Spain and France. The first great services which this new custom of public borrowing conferred upon civil freedom were won by the Dutch, who achieved by its aid independence and political power, and who introduced it after the revolution of 1688 into England. The funded debt of Great Britain was, till lately, the largest in the world. It was commenced by William III. to meet the expenses of his war with France. Indeed, to these debts was due the chartering of the Bank of England in 1693, when its capital of £1,200,000 was lent to the public at 8 per cent. interest. We must not, however, suppose that England had before this period no debt at all. The custom of borrowing on the security of taxes dates as far back probably as the Saxon Heptarchy, for it was carried on by the rude device of tallies, or pieces of wood notched with the sums borrowed, one part of each tally being kept by the lender, and the counterpart in the exchequer. Whether the loans thus made bore interest is uncertain. In the modern history of Europe the first distinct account of National debts that can be made up is for the year 1715. Mr. Baxter gives the following figures: France, £124,000,000; Holland, £90,000,000; England, £36,000,000; Spain, Italian republics, and other States, £50,000,000; total, £300,000,000 or 1,500 millions of dollars. These debts pressed so heavily on the undeveloped resources of these countries, that France became bankrupt in the next year, and Holland fell into decay from excessive taxation on her small population. In 1793, after the lapse of a century from the organization of the funding system in Europe, the debts of Europe were thus reported: Great Britain, £280,000,000; Continent of Europe, £202,900,000; United States, £15,000,000;

\* Some authorities have ascribed the invention of funded debts to Florence in the fourteenth century. We incline to think they date from the second or third Crusades, A. D. 1147-1192. This opinion is quite consistent with all that is known of their early origin, which Adam Smith very correctly traces to Genoa and Venice. It is certain that the city of Venice, in 1171, carried on a costly war in the East and West of Europe, and the Great Council decided upon raising a forced loan. Every citizen was obliged to contribute the hundredth part of his possessions to the necessities of the State, upon payment of interest at the rate of five per cent. The public revenues were mortgaged for the payment of the interest, and commissioners were appointed, called the *Camera Degli Imprestiti*, for managing the payment of the interest to the fundholders and transferring the bonds or stock. This loan in 1173 was called the *Monte Vecchio*, and in subsequent years other loans were contracted, two of which were called the *Monte Nuovo* and the *Monte Nuovissimo*. In exchange for the sums contributed by the citizens, the commissioners gave them bonds or certificates bearing interest, which resembled our registered or coupon bonds, as the owner might sell or transfer them to any one else, and the commissioners kept an office for the transfer of the stock and the payment of the dividends. These facts are confirmed by several writers of reputation. An English writer, Benbrigg, in 1646, speaks of the "three banks" at Venice, meaning the three public loans or *monti* above described. Count Cibrario, in his able work, "*Economica Politica del Medio Evo*," says: "Regarding the theory of credit, which was invented by the Italian cities, it is known that the first bank, or public debt, was erected at Venice in 1171. In the 13th century paper money is mentioned at Milan: the credit was paid off. A *monte*, or public debt, was established in Florence in 1336. At Genoa, during the wars of the 14th century, the Bank of St. George was established, formed of the creditors of the State."

British India, £8,000,000; total, £505,900,000, or nearly 2,530 millions of dollars. The debt of France at this period was but £32,000,000, but this comparatively small aggregate was only attained by means of a third National bankruptcy. The public debt of England was more than half as large as that of the whole of Europe, but the figures which were reached in 1815-20, at the conclusion of the revolutionary wars, are still more striking. Great Britain, £902,000,000; Continent of Europe, £570,000,000; United States, £26,000,000; other American countries, £3,000,000; British India, £29,000,000; total, £1,530,000,000, or 7,650 millions of dollars. France at this period owed but £140,000,000, while Holland owed £144,000,000. But France, as we have said, made war support war by unsparing contributions, while England was at once the manufacturer, the merchant, and the subsidizer of the half of Europe, the result being a debt on her part nearly half as large again as those of all the rest of the world. Our next date is that of 1848: Great Britain, £820,000,000; Continent of Europe, £746,600,000; United States, £47,800,000; British Colonies, £6,600,000; Latin America, £60,000,000; British India, £50,000,000; total, £1,731,000,000, or 8,655 millions of dollars. These figures show that the obligations of Great Britain had decreased, while those of the rest of the world had augmented. But a multitude of political and economic revolutions due to the gold discoveries in Australia and California commence about this period, and at the next date we shall examine, that of 1870, the eve of the Franco-Prussian war, we find vast changes: Great Britain, £800,000,000; Continent of Europe, £2,165,000,000; America, £765,320,000; Asia, £104,716,000; Australasia, £35,744,000; Africa, £39,655,000; total, £3,911,000,000, or 19,555 millions of dollars. And what do we find at the close of 1875? The *Westminster Review* gives the following estimates of the public debts of the world at the close of last year: Great Britain, £775,000,000; Continent of Europe, £2,772,640,000; America, £774,867,000; Asia, £131,410,000; Australasia, £48,607,000; Africa, £75,365,000; total, £4,577,889,000, or \$22,889,445,000.

Thus, while we find no notable decrease anywhere except in the debt of Great Britain, the debts of other countries are still mounting upward, the debt of France being the greatest of all, and amounting to £832,000,000, or \$4,160,000,000, in liquidation of which she will hereafter enter into possession of the railways, whose value is 1,500 millions of dollars, and whose property lapses to the Government in the middle of the next century. These figures, however, present but an imperfect view, inasmuch as they give only the nominal capitals. In order exactly to appreciate the real pressure or burden of these debts, we must ascertain in each country the annual interest, the national income, and the number of the population. The following table of these items appears in an interesting paper in the *Westminster Review* for Jan-

uary, of which we have made a free use in this article. We have converted the aggregate into dollars at five to the pound sterling:

GROWTH OF DEBTS AND POPULATION, 1843-1875.

		Population.	Average Income.	Total Income.	Annual Interest.	Int. per Capita.	Per- cent. on Income.
Great Britain.	{	1843 . 27,000,000 .	\$90'00 .	\$2,500,000,000 .	\$137,750,000 .	\$5'10 .	5'51
	{	1875 . 32,700,000 .	140'00 .	4,575,000,000 .	115,000,000 .	3'50 .	2'51
France . . . . .	{	1848 . 35,700,000 .	75'00 .	2,675,000,000 .	35,350,000 .	1'00 .	1'32
	{	1875 . 36,500,000 .	110'00 .	4,000,000,000 .	200,000,000 .	5'46 .	4'76
Austria . . . . .	{	1848 . 37,000,000 .	60'00 .	2,200,000,000 .	27,500,000 .	75 .	1'25
	{	1875 . 38,000,000 .	90'00 .	3,400,000,000 .	75,845,000 .	2'00 .	2'23
Russia in Eu- rope . . . . .	{	1853 . 60,000,000 .	30'00 .	1,800,000,000 .	30,000,000 .	50 .	1'66
	{	1875 . 72,000,000 .	37'50 .	2,700,000,000 .	70,000,000 .	96 .	2'60
Italy . . . . .	{	1861 . 22,000,000 .	60'00 .	1,300,000,000 .	22,500,000 .	1'02 .	1'73
	{	1875 . 27,800,000 .	75'00 .	2,075,000,000 .	97,500,000 .	3'50 .	4'70
United States .	{	1848 . 22,000,000 .	100'00 .	2,200,000,000 .	13,550,000 .	62 .	61
	{	1875 . 44,000,000 .	125'00 .	5,500,000,000 .	122,500,000 .	2'75 .	2'23

On these statements our contemporary makes the following suggestive remarks, which have a singular pertinency to the financial condition of the United States in several points of view: "Although, on the whole, the nations are becoming more deeply involved, there are currents moving in an opposite direction to the general stream. Germany is the only nation which, having entered on a course of borrowing, has been able to shake off the burden, a result, however, which was achieved by means of the French indemnity, which, *pro tanto*, transferred that burden on to the shoulders of the French, and raised their debt to the largest in the world. The fact, however, stands out that Germany is practically free from debt, and in possession of surplus funds, and so far is in an enviable position. Holland, Belgium, and Denmark are wiping off debt, and at no distant day, should not war intervene, will be free. In the United States a debt of £18,000,000 in 1861 was run up to £561,700,000 in four years of civil war, and the last ten years have witnessed a reduction of £118,000,000 by efforts most praiseworthy, but effecting the object by a severity of taxation and a mistaken system of imposts that have crippled many branches of industry. And it is strange to find that this people, so proud of its position among the nations, and so anxious to relieve itself from debt and everything that the condition of debt implies, should suffer themselves to be reproached with the existence among them of a paper currency ten years after the close of the civil war. And here a few remarks on this point may not be out of place. A bank-note or a Treasury-note is but a promise to pay a certain amount of coin on demand, and in any well-ordered system of finance there should be practically sufficient coin or bullion to meet these promises. To our mind there is no valid excuse for allowing the National promises to pay to be at a discount a day longer than is absolutely necessary. The only pos-

sible gain to a nation—and it is only a material one—is the annual interest saved on the bullion, which is dispensed with by the over-issue; but against this is to be set the moral element of uncertainty, and almost of gambling, which is imported into every monetary transaction, the manipulations of gold rings, and all the evils which spring from artificiality. We consider it a reproach, therefore, to our Transatlantic cousins that ten years after the close of their civil war their promises to pay on demand can be bought at 13 per cent. discount. Poverty cannot, as in the case of some other nations, be pleaded in excuse. As we have seen, £118,000,000 have been paid off in ten years, and every effort is being made to reduce still further the interest-bearing portion. We think that they look too much in this direction, to the detriment of what should be done in the other. If any nation is justified in looking into the future, and discounting it, it is the people of the United States. Its wealth and population increase in a ratio more rapid than that of any other nation. At the present moment it has within its borders a population of 44 millions and an annual income of 1,100 million pounds, and in the course of half a century it will number 100 millions of inhabitants, with an annual production beyond present estimation, and withal vastly less liability to the curse of war and armaments than other less favored communities.

“We have now to turn to Great Britain, as the last on the list of States which are making efforts to reduce their debts. Let us take a glance at our position at the close of the revolutionary wars, and at our condition after a lapse of sixty years, and let us see whether we have or have not fallen short of our plain duty. In 1815 the debt amounted to £902,000,000, and in 1875 it is £775,000,000. In these sixty years, therefore, which, as we have observed, have been marked by the greatest development of wealth the world has ever seen, and by the great gold discoveries, and which have witnessed an unbroken peace of thirty-nine years, we have liquidated only £127,000,000, or at the rate of a little over £2,000,000 a year. It is true that for the last five or six years the rate of redemption has been about £5,000,000, but this we contend to be, under the circumstances, utterly inadequate. Nothing in our opinion can justify this state of things, but the moral certainty that in the time to come our political and economical conditions will be as favorable to us as they have been during the last half century. In the first place, let us take the question of the precious metals, and consider the influence of the gold discoveries. Our debt being in gold, it follows that, other things being equal, the burden of that debt is measured by the supply; the scarcer the gold the heavier the burden; the more plentiful the gold the lighter the burden. Now there is reason to believe that the world's stock of gold in 1875 was at least double what it was in 1848, and if there were no other influences to counteract the effect of this, the prices of all commodities would be at least double at the latter period what they were at the former; but the progress of inventions for increasing general production, the increase

of population and wealth, the demonetizing of silver and the establishment of gold currencies in its stead in several States, have to some extent neutralized the effect of this disturbing cause, and it is computed that the purchasing power of gold has lessened only 25 per cent. instead of 50 under the supposition. The nation as a debtor has had the benefit of this depreciation, and the practical question for us is, whether the present state of things is likely to continue, or, if not, what direction will matters take? Statistics show that before the California discoveries of 1848 the produce of the old mines was about £13,500,000 a year, but these discoveries raised the total yield in three years, 1849-51, to £24,000,000 a year, and in the next five years, 1852-56, to £38,750,000, the highest point touched, from which the yield has gradually decreased until it now stands once more at £24,000,000. The supply, therefore, is at best stationary, if not falling off, and if we compute the stock in existence to be £1,500,000,000, which we believe to be not far from the mark, the annual increment is but 1.6 per cent. Is this annual increment sufficient to meet the fresh requirements of currencies and other purposes, and the increasing demands of civilization, to say nothing of that portion used in the arts, and which, owing to the extrinsic value conferred on it thereby, will not come into circulation as coin except in vastly changed circumstances? The probability is that the world's requirements for gold—its standard and measure of value—will outgrow the supply; and that, as a consequence, the pressure of the debts contracted by this standard will increase instead of diminish. There are signs, indeed, that this retrograde movement has commenced, and that relative values are moving in a direction the contrary of what we have seen during the last thirty years."

Our contemporary goes on to deduce from the activity with which during the last quarter of a century the leading nations of Christendom have mortgaged their future revenues, a series of inferences and prognostications of coming bankruptcy and national repudiation, with which we cannot agree. The enormous pyramid of debt that we have been surveying has been built up during an era of excitement, productive growth and material development such as the earth never saw before. It may seem to be true, as this writer affirms, that although wealth and population have so rapidly augmented, they have not kept pace with the reckless prodigality of public and private expenditure, and that with few exceptions the nations have increased their debts faster than their opulence and numbers, so that almost everywhere the fiscal burdens press with ever-increasing severity on the national resources. We may also concede that the danger of this state of things is enhanced by the probability that we cannot count on the recurrence of new economic forces of such magnitude as those which have been developed in the last thirty years, the teeming products of which to the public mind have seemed to necessitate and partly to justify the accumulation of such vast public debts. We ought, perhaps, to look for a period of stagnation, if not of retrogression.

At any rate, it is the part of prudence to prepare for future contingencies. Still, after all, we must remember that sinister predictions, such as those of the *Westminster Review*, are not now heard for the first time without belief. Too much is known of the vast latent stores of wealth and productive power, which, after being locked up for ages in the economic life of nations, have been in our day let loose and partly utilized. What is known of these productive forces leads us to believe that they have scarcely begun their career of development. We would by no means encourage the needless or inordinate increase of public debts. On the contrary, we pretend that in the present age corporate and national credit have their proper parts to play in the great economy of the nation, and they must be wisely and zealously guarded. Such gloomy vaticinations as those referred to will remind our readers of those eloquent chapters of Macaulay in which they are refuted. In one of these he sums up the general facts we have passed in review, as follows, in regard to Great Britain :

"The beggared, the bankrupt society not only proved able to meet all its obligations, but while meeting those obligations, grew richer and richer so fast that the growth could almost be discerned by the eye. In every county we saw wastes recently turned into gardens; in every city we saw new streets, and squares, and markets, more brilliant lamps, more abundant supplies of water; in the suburbs of every great seat of industry we saw villas multiplying fast, each embossed in its gay little paradise of lilacs and roses. While shallow politicians were repeating that the energies of the people were borne down by weight of the public burdens, the first journey was performed by steam on a railway. Soon the island was intersected by railways. A sum exceeding the whole amount of the national debt at the end of the American war was, in a few years, voluntarily expended by this ruined people in viaducts, tunnels, embankments, bridges, stations, engines. Meanwhile taxation was almost constantly becoming lighter and lighter, yet still the exchequer was full. It may be now affirmed without fear of contradiction, that we find it as easy to pay the interest of eight hundred millions, as our ancestors found it a century ago, to pay the interest of eighty millions. It can hardly be doubted that there must have been some great fallacy in the notions of those who uttered and of those who believed that long succession of confident predictions, so signally falsified by a long succession of indisputable facts. To point out that fallacy is the office rather of the political economist than of the historian. Here it is sufficient to say that the prophets of evil were under a double delusion. They erroneously imagined that there was an exact analogy between the case of an individual and the case of a society which is in debt to a part of itself, and this analogy led them into endless mistakes about the effect of the system of funding. They were under an error not less serious touching the resources of the country. They made no allowance for the effect produced by the incessant efforts of every man to get on in life. They saw that the debt grew, but they forgot that



other things grew as well as the debt. A long experience justifies us in believing that England may, in the twentieth century, be better able to bear a debt of sixteen hundred millions than she is at the present time to bear her present load. But be this as it may, those who so confidently predicted that she must sink, first, under a debt of fifty millions, then under a debt of eighty millions, then under a debt of a hundred and forty millions, then under a debt of two hundred and forty millions, and lastly under a debt of eight hundred millions, were beyond all doubt under a twofold mistake. They greatly overrated the pressure of the burden; they greatly underrated the strength by which the burden was to be borne."

Political economists have vehemently discussed the principles on which the great transformation so brilliantly described by Macaulay in this passage and elsewhere may be accounted for. One theory is, that the wealth which in most modern nations is created in time of war is not real wealth, but partakes of a phantom-like, unsubstantial character, and cannot be the basis of permanent progress. In Great Britain, during the earlier years of the present century, this theory was accepted by not a few of the great luminaries of economic science. In our civil war and since its close the same theory has been frequently put forth. But here, as in England, it has not been able to hold public opinion very firmly, or very long; though, perhaps, it has never received a complete refutation. It seems to have the support of Adam Smith in several well-known passages in his "Wealth of Nations." In the third chapter of his fifth book, he says that it is a mistake to suppose that public debts do not impoverish a nation. He has an elaborate argument in refutation of the doctrine that "in the payment of the interest of the public debt, it is the right hand which pays the left. The money does not go out of the country. It is only a part of the revenue of one set of the inhabitants which is transferred to another, and a nation is not a farthing the poorer." "This apology," says Smith, "is founded altogether in the sophistry of the mercantile system, and after the long examination which I have already bestowed upon that system, it may perhaps be unnecessary to say anything further about it. It supposes, besides, that the whole public debt is owing to the inhabitants of Great Britain, which happens not to be true; the Dutch, as well as several other foreign nations, having a very considerable share in the British public funds. But, though the whole debt were owing to the inhabitants of the country, it would not upon that account be less pernicious."

In this view Adam Smith is no doubt correct, though the reasons he assigns are not conclusive. It is clear that a nation which owes a public debt, and is taxed for the annual interest, is burdened and so far impoverished. But the debt may have been incurred for an object which enriches the nation. If this be the case, then the benefits must be set off against the evils, if we would measure the precise influence, good and bad, which is pro-

duced by any given national debt upon the aggregate of the public wealth. Mr. J. R. McCulloch, in his notes to the "Wealth of Nations," endeavors to set this principle in a clearer light than that in which it is left by Adam Smith. "In point of fact," says McCulloch, "the annual payments which a nation makes on account of the interest of the public debt are really what the apologists of the funding system represent them, a debt of the right hand to pay the left, or are so much wealth transferred from one class of society to another. It is obvious, however, that the question with respect to the influence of public debts on national prosperity does not depend so much on the payment of the interest, as on the manner in which the principal for which it is paid has been employed. Now this principal was not lent by one set of individuals to another, but to the Government, who have spent it in warlike enterprises. It, in fact, has been, generally speaking, annihilated; and instead of deriving a revenue from it, the revenue of the stockholders is exclusively derived from taxes laid on the capital and revenue of others.

"To set the immediate effect of loans on national wealth in a still clearer point of view, let us suppose that a country with *two* millions of people and four hundred millions of capital engages in war, and that its Government borrows and spends fifty millions of the national capital. If the ordinary rate of profit were ten per cent., the annual income of the capitalists of this State previously to the war would be forty millions; but at its close, and after the fifty millions had been borrowed and spent, it would be thirty-five millions, while there would be a proportionally diminished means of employing labor."

It will be seen that Mr. McCulloch, in this note to the passage quoted from Adam Smith, is not very successful in his attempts to clear up this difficult economic problem. He is a little more fortunate in the following note to Book 2, chapter 3, of the same work. He says: "The principal of the unredeemed funded and unfunded public debt, which amounted to about 145 millions in 1772, amounts at present to about 800 millions sterling; and in addition to the immense sums raised by borrowing, the gross produce of the taxes levied in Great Britain and Ireland during the late war exceeded the enormous sum of 1,300 millions; and yet the rapid increase of population, the extension and improvement of agriculture, manufactures and commerce, the formation of so many new docks, roads and canals, and the infinite variety of expensive undertakings entered upon and completed during the continuance of hostilities, show clearly that the savings of the mass of the people greatly exceeded the warlike expenditure of the Government and the unprofitable expenditure of individuals. It may safely be affirmed that no other country could have made such extraordinary exertions without being ruined; and we owe the power to make them to a variety of causes; but chiefly, perhaps, to that security of property and freedom of industry which we enjoy in a greater degree than any European nation; and to that

universal diffusion of intelligence, which enables those who carry on any industrial undertaking to press all the powers of nature in their service, and to avail themselves of productive energies, of which a less instructed people would be wholly ignorant."

These profound remarks are even more applicable to France, and to her wonderful achievements in finance during the last four years, than even to England. It is, however, of great importance that we should understand that debts and wars *per se* always impoverish the country which suffers from them, and make it so far the poorer. As we have often explained, the amazing growth of wealth in Great Britain and other countries, notwithstanding the costly wars of the nineteenth century, is to be asserted not to the progress of the arts of war and destruction, but to the progress of the arts of labor-saving and production. Steam engines, telegraphs, railroads, and labor-saving machinery of various kinds, are at work in this country, whose united productive powers are estimated to surpass the unaided force of 1,000 millions of men. In Europe it is the vast forces of wealth-creating machines which have been the chief source of that pre-eminence and prosperity which has enriched the nations in spite of their wars.

Two questions of more immediate practical interest are raised by the *Westminster Review* without much effort to reach a solution of them. Our contemporary asks first, whether the countries which are so heavily burdened with debt ought not to make more effort to diminish the pressure by paying off the principal more rapidly than has been usual of late years. To this question he gives an affirmative answer. And he is doubtless right in doing so, although the conclusion is logically inconsistent with his previous statement that the nations are so heavily burdened by their debts that they will not even be able to keep up the regular payment of the annual interest. If they are growing too poor to pay their interest every year, how can the reviewer contend that they should pay off the principal as well? Another point which this writer has spoken of too briefly is, the probable effects of the gold production on the fiscal powers of various nations. He says that if gold should appreciate, the burden of debts which have to be paid in gold will become heavier. Here again the reviewer is undoubtedly correct in his deduction, but he does not tell us how much lighter the burden of these debts has become by the depreciation of gold since 1848. Nor does he examine the question how far the new supplies of silver may operate to supplement the supplies of gold, and to prevent appreciation in the price of that metal. There is abundant reason to believe that the recent discovery of rich mines of silver in Nevada is very opportune, and that it will tend, with other still more important economic forces, to check the apprehended rise in the relative value of gold so as to avert from the commercial world some of those fiscal troubles which have been predicted both from the enhancing of the burdens of public debts and from other causes.

## THE DIVISION OF LAND IN ENGLAND.

One of the most interesting reports which has ever been published by the Government of Great Britain is the modern Domesday Book, as it has been called, which contains exact statements as to the extent and value of the real estate held in 1873 by private persons in England. The *Pull Mall Gazette* gives the subjoined table of the general results:

## THE EXTENT AND VALUE OF LANDED ESTATE IN ENGLAND.

<i>Counties.</i>	<i>Large Owners. Numbrs.</i>	<i>Total Area they hold. Acres.</i>	<i>Estimated rental thereof.</i>	<i>Small Owners. Numbrs.</i>	<i>Tot. Area they hold. Acres.</i>	<i>Estimated rental thereof.</i>
Bedford.....	2,382	285,250	£ 582,648	5,302	825	£ 134,277
Berks.....	3,068	429,848	900,383	4,172	1,000	109,633
Bucks.....	3,288	455,056	932,554	6,420	1,153	116,872
Cambridge.....	6,497	521,015	1,057,914	6,677	1,193	121,958
Chester.....	6,029	597,554	2,011,435	17,691	4,664	1,005,789
Cornwall.....	5,149	754,972	1,072,257	8,717	1,186	162,910
Cumberland.....	5,896	728,853	902,505	9,617	1,957	299,475
Derby.....	6,992	619,357	1,389,101	12,874	1,597	375,588
Devon.....	10,162	1,514,002	2,266,240	21,647	2,981	615,426
Dorset.....	3,409	572,304	837,061	7,494	1,631	147,980
Durham.....	3,112	512,945	1,910,234	31,205	4,773	978,918
Essex.....	7,472	946,401	1,849,124	14,833	4,033	316,953
Gloucester.....	8,425	727,610	1,511,427	29,280	6,030	1,044,815
Hereford.....	4,646	505,257	810,580	9,085	1,301	114,061
Herts.....	2,831	382,469	914,107	9,556	2,339	250,385
Huntington.....	2,087	224,763	413,426	1,816	399	31,465
Kent, part of.....	7,758	942,477	2,320,313	26,925	8,128	1,036,744
Lancaster.....	12,558	932,652	7,340,682	76,177	14,811	6,537,596
Leicester.....	4,927	517,484	1,079,308	8,921	1,742	414,071
Lincoln.....	16,729	1,603,718	2,879,597	13,768	2,824	294,228
Middlesex, part of...	2,875	136,439	990,309	9,006	6,574	621,347
Monmouth.....	2,841	288,294	709,822	4,970	1,082	127,432
Norfolk.....	10,096	1,232,415	1,976,029	16,552	2,468	432,766
Northampton.....	4,455	589,748	1,349,756	10,010	3,022	287,614
Northumberland.....	2,221	1,188,619	1,584,710	10,036	1,424	557,033
Nottingham.....	4,628	506,070	1,105,612	9,891	1,266	455,240
Oxford.....	3,344	448,406	878,753	6,833	876	194,493
Rutland.....	564	92,945	173,732	861	132	10,893
Salop.....	4,838	787,395	1,342,107	7,281	4,544	142,727
Somerset.....	12,395	935,255	2,090,109	20,370	5,227	615,284
Southampton.....	6,236	878,899	1,535,230	21,236	5,749	933,895
Stafford.....	9,699	633,794	2,656,071	33,672	4,289	974,184
Suffolk.....	6,765	908,764	1,428,356	12,511	3,673	356,471
Surrey, part of.....	4,581	395,885	1,310,111	12,712	2,860	975,703
Sussex.....	5,059	865,472	1,330,299	14,675	3,950	1,088,223
Warwick.....	4,622	535,137	1,509,406	46,894	5,883	1,808,897
Westmoreland.....	2,662	334,824	398,979	1,714	336	43,341
Wilts.....	4,378	827,429	1,404,600	9,635	1,519	194,639
Worcester.....	5,796	436,327	1,241,141	16,008	4,733	444,595
York, East Riding...	4,564	701,285	1,279,209	15,012	5,398	752,986
York, West Riding...	17,417	1,519,119	5,027,390	59,496	13,226	3,172,538
York, North Riding...	6,198	1,029,362	1,542,624	10,115	2,113	299,321
Wales.....	19,898	3,827,645	4,379,453	31,622	6,239	528,914

The *Gazette* adds the following table, compiled from the Domesday Book, showing that of the whole area of 33,017,441 acres in England and Wales, 26,849,749 acres are cultivated:

AREA OF LAND IN ENGLAND AND WALES.

<i>Counties.</i>	<i>Ratable Area in Owners' Return. Acres.</i>	<i>Area of Cultivated Land. Acres.</i>	<i>Ratable Area of Lands not Cultivated. Acres.</i>	<i>Non-Ratable Lands, i. e. Commons or Waste. Acres.</i>
Bedford.....	286,076	256,471	29,605	1,127
Berks.....	430,849	370,317	60,532	2,114
Bucks.....	456,210	399,096	57,114	2,942
Cambridge.....	522,208	479,422	42,786	2,555
Chester.....	602,219	510,382	91,837	6,704
Cornwall.....	758,961	515,999	242,962	70,968
Cumberland.....	730,811	541,681	189,130	114,025
Derby.....	620,955	498,674	122,281	11,656
Devon.....	1,516,984	1,068,776	448,208	77,868
Dorset.....	573,936	467,508	106,428	13,752
Durham.....	517,719	407,588	110,131	47,389
Essex.....	950,435	815,203	135,232	6,896
Gloucester.....	733,640	642,372	91,268	7,430
Hereford.....	500,559	432,221	74,338	10,074
Herts.....	384,809	334,685	50,124	5,302
Huntington.....	225,163	208,930	16,233	796
Kent, part of.....	950,607	721,011	229,596	5,302
Lancaster.....	947,464	742,465	204,999	64,306
Leicester.....	519,227	464,551	54,676	298
Lincoln.....	1,006,543	1,463,382	143,161	5,763
Middlesex, part of.....	143,014	114,285	28,729	2,592
Monmouth.....	289,377	226,009	63,368	7,594
Norfolk.....	1,234,884	1,060,820	174,064	12,870
Northampton.....	592,771	553,509	39,262	255
Northumberland.....	1,190,044	673,700	516,344	30,286
Nottingham.....	507,337	441,681	65,656	1,450
Oxford.....	449,283	411,438	37,845	2,949
Rutland.....	93,078	84,031	9,047	402
Salop.....	791,941	688,622	103,319	19,675
Somerset.....	940,483	817,438	123,045	31,246
Southampton.....	884,649	694,541	190,108	78,844
Stafford.....	638,084	585,848	52,236	7,809
Suffolk.....	912,437	756,882	155,555	7,831
Surrey, part of.....	398,746	296,707	102,039	40,037
Sussex.....	869,423	654,405	215,018	23,738
Warwick.....	541,022	480,136	60,886	1,833
Westmoreland.....	335,160	238,668	96,462	114,282
Wilts.....	828,948	736,888	92,060	1,931
Worcester.....	441,061	390,526	50,535	3,415
York, East Riding.....	706,684	664,140	42,544	4,049
York, North Riding.....	1,017,475	815,550	201,925	247,409
York, West Riding.....	1,532,346	1,166,970	365,376	99,912
Wales.....	3,833,888	2,647,080	1,186,808	326,972

We thus see that instead of the 30,000 land-holders in England, among whom the whole of the soil was so often said to be divided, the actual number is nearly a million. The gross annual value of the soil in England and Wales, so far as reported, is £99,353,000 for 33,000,000 acres, or rather more than three pounds or \$15 an acre. Of the whole ratable extent of the

kingdom, 26,541,000 acres owe their enhanced value to cultivation, and 6,453,000 acres to other sources of wealth. One of the most remarkable disclosures of the return is mentioned by the *London Times*, which announced that "the aggregate holding of the 100 largest private owners is 3,852,000 acres." This approaches to one-eighth of the area of England and Wales; but exceeds the area of Wales alone, where there are but 3,834,000 acres yielding rental for assessment. On summing up the figures for the whole kingdom as between large and small owners, these results emerge: Large owners: Number thereof, 269,548; total area they hold, 32,874,000 acres; gross estimated rental thereof, £70,225,000; average annual rental of each owner, £260 10s.; average extent of lands held by each, 121 acres 3 roods 34 perches. Small owners: Number thereof, 703,289; total area they hold, 151,150 acres; gross estimated rental thereof, £29,128,000; average rental of each owner, £41 8s.; average extent of lands held by each, 34½ perches. The total number of owners is 972,837. The comparatively heavy income of the small owners, *i. e.*, £41 8s., or \$207, from less than a rood of land, is obviously due to the fact that many, perhaps most, of these holdings under one acre are covered with valuable buildings. Of the whole assessed extent of 26,541,000 acres, 6,453,000 acres, or about one-fourth, owe, as we have said, their enhanced value, not to "the indestructible powers of the soil," but to other sources of wealth. A simple comparison may place the territorial circumstances of the two classes of holders in a clearer light:

DIVISION OF LAND AMONG THE LARGE AND SMALL OWNERS.

	Average Holding.			Average Rental.			Av. Val. per Acre.		
	a.	r.	p.	£	s.	d.	£	s.	p.
Large owners.....	121	3	34	..	260	10 0	..	6	2 9
Small owners.....	0	0	34½	..	41	8 0	..	192	14 2

It may appear strange that with a million land-owners, England should so long have been reported by economists and political authorities in this country and abroad to have had so much smaller a number. The *Gazette* explains the discrepancy as follows: "In the English Census of 1861 a number of individuals are classified as 'persons possessing and working the land, and engaged in growing grain, fruits, grasses, animals and other products.' In the class thus broadly described are found under the head of 'Land Proprietors' 15,131 males and 15,635 females. These, in round numbers, have been erroneously spoken of as the 30,000 owners of land in this kingdom. When the contention originated the number of owners of agricultural land alone was in question; and it has yet to be ascertained how many persons hold land, but fall under some other description than 'land-owner.' The return for 1873 embraces, with some few exceptions, every sort of real property besides land—*i. e.*, houses, factories, docks, iron works, coal mines, gas works, railways, &c. There is, therefore, in the return the valuation, or, as it is here called, the 'gross estimated

rental,' of all the towns in the kingdom, beyond the metropolitan area, for the metropolis is excluded from the unique record. The wealth-bearing but non-agricultural land amounts to 6,473,000 acres; the agricultural land being, according to the Board of Trade abstract, 26,540,000 acres. It is impossible to discriminate the agricultural land in the return, because it is never mentioned, but in value it is certainly not the greater half. The whole estimated rental of England and Wales, less the metropolis, is £99,353,000. The rental of lands, according to the Inland Revenue reports, was, in 1872, £49,000,000 very nearly. But Crown valuations are notoriously higher than the valuations of local authorities, and probably three or four millions should be deducted from that sum to represent all the 'gross estimated rentals' of land in the rate books; this would leave about £53,000,000 for all other properties than agricultural land. The population of the area which the new Domesday Book recognizes was, according to the Census of 1871, very nearly 19,500,000. In this population not much short of 1,000,000 persons are 'owners of land.' This is an unexpected result; let us see what it means when precisely compared with the adult male population of the country. We take the adult males as virtually representing—for the exceptions are comparatively trivial—the real population of owners in England and Wales (less the metropolis): Number of adult males, *i. e.* twenty years old and upward, 5,023,375; number of owners of land possessing one acre and upward, 269,548; number of owners possessing less than one acre, 703,289—total owners, 972,837. From these figures it follows that the 'total owners' constitute 19.3 per cent. of the adult male population; deducting the large owners, the adult male population is 4,753,827; the small owners form 14.7 per cent. thereof. Excluding small owners from the adults gives 4,320,086; the percentage of large owners on that sum is 6.2 per cent. As the number of adult females is not much greater than that of the adult males, the ratios above, if computed on the two sexes, would be about half the respective per cents."

From the whole survey, several points of importance are clearly demonstrated. In the first place, it appears that 710 individuals own more than a fourth of the soil of England and Wales, exclusive of lakes, roads, cities, commons, waste spaces, and rivers. Thus while a million of the English people own more or less land, almost a fourth of the entire geographical area of the country is excluded, and one-fourth is owned by the 710 great landholders, who own immediately, or in reversion, one-seventh of the entire yearly income from land in England, a proportion which, if London were included, would be very greatly increased. This is exclusive of almost all the mineral property, which is not set down in the Domesday Book, as in 1873 it was not assessed and rated to the poor. But, secondly, we see that Mr. Bright was wrong in affirming that 30,000 members of a few great families own all the land, and that the great body of the people have been divorced from the soil. For there are almost a million freeholders,

269,000 own more than an acre, and 43,000 possess more than 100 acres. Thirdly, while the statement is confirmed that a limited number of people wield an enormous territorial influence, and own a fourth of the kingdom,—more, probably, than the same class possess in any country in Europe, unless it be Hungary or Bohemia,—still this excessive preponderance is diminishing, and it would do so more rapidly if land were cheaper. The English monasteries, when they were suppressed, had not a third, and the nobles of France, many thousands in number when the Revolution broke out in 1789, had only one-twelfth more. Moreover, the possessions of most of the English landlords are not barren land like the acreage of so many American settlers, or the sheep farms of the Duke of Sutherland and other landlords of Scotland. Scarcely any of the English owners of land reckon on receiving less than five dollars an acre every year from their estates, and in the entire list there seems to be but one man who owns a really grand acreage of desert. Mr. John B. Bowes, of Streatham Castle, in the North Riding, has 48,887 acres in that Riding, yielding only \$26,400, or less than 60 cents an acre per year.

Never, perhaps, in the history of the agricultural and industrial development of the world has there been anything exactly like the position of the English land-owners who own 20,000 acres and can extract from them five dollars a year per acre of rent without any labor whatever. Rich, secure, and treated with a deference that nothing but crime can disturb, civilization may in one sense be said to be kept in existence for their benefit. "For," says the London *Spectator*, "it is for them, first of all, that its treasures are poured out. They can live lives of political strife, or intellectual excitement, or supreme personal luxury, at discretion; can know all men, collect all things, and, greatest boon of all, live absolutely their own lives, without reproach or fear of society, or dread of coming change. Nobles in other ages have held as much in proportion, but their lives were threatened by emperors, by slaves, or by rivals, till existence was one long study of defensive arts. The English territorialist is as safe in his home as a king in his capital. This is not the time for essays on the good or the evil of such an order in the State, but there is no evidence whatever that the system can be altered, either gradually or suddenly, by means that a statesman or a moralist would recommend. It could be altered by recurrent confiscations—that is, by abolishing the eighth commandment, because it made some men too comfortable. It could be altered by an *impôt progressif* upon land, that is, by a breach of the national faith, which commands that taxation shall have revenue, and not the pillage of a class, for its first end. And it could be altered by an abolition of the freedom of bequest, which would completely revolutionize the condition, not only of English society, but of every family within it, and for which the people, as a whole, are utterly unprepared. There are no other methods of alteration. That realty should be declared personalty by statute is, we firmly believe, essential to the



development of the country, whose interests demand that every acre should at any time be salable, and we hope yet to see that revolution accomplished, but that revolution will not of itself divide great properties. No Christian civilization can be organized which shall render great fortunes impossible, or prevent successful efforts for their transmission. The Astors exist in New York, as well as the Duke of Westminster in London. All that honest statesmanship can do is to abolish laws which artificially increase inequalities."

---

### DEBTS AND CONSTITUTIONAL RESTRICTIONS.

"The practice," says Hume, "of contracting debt will almost invariably be abused in every Government. It would scarcely be more imprudent to give a prodigal son a credit with every banker in London, than to empower a statesman to draw bills in this manner on posterity." Four generations of statesmen have passed away since these words were written, but they are as true now as they were in the eighteenth century. Indeed, among the important financial problems of the present day, one of the most urgent is the protection of the community from administrative extravagance, and from the increase of municipal and other public debts. By the abuses of free institutions, men are frequently carried to the offices of trust and power who are wholly unfit to discharge with fidelity the high functions of government. The ease with which of late years loans could be negotiated by municipal and other corporations, has operated with other circumstances to facilitate the accumulation of an immense mass of indebtedness throughout Christendom, at whose gigantic proportions Hume would have sunk in despair. The time has now come when the evils hence resulting must, if possible, be stopped. Indeed, all over the world the reaction has begun. In this country various remedies have been devised which are of some service, though their force is impaired by various difficulties. In England the debt-creating powers of Parliament are, like those of our Congress, unlimited, but the powers of the city governments are placed under strict control. In the United States the regulation of municipal debts is in progress. Notwithstanding the difficulties incident to our form of government, we have done much for the correction of the most flagrant evils complained of, and we shall during the next five years in all probability do much more. Among the various remedies that have been devised, one of the most effectual is the constitutional prohibition. This simple and effective remedy is well known. It consists of a provision introduced into the Constitutions of the various States, declaring that the city and county governments shall not go into debt beyond a certain limit. In Illinois and some other Western States this expedient has been adopted. A suit has been recently concluded at Chicago in which this

constitutional provision has been prominent, and several important questions in regard to it have been adjudicated. The Constitution of the State of Illinois adopted in 1870 declares that 5 per cent. upon the property valuation is the utmost limit to which any municipality shall incur a debt; consequently, when any city government owes as much as the sum prescribed, its officers cannot add to its debt. Now this has for some years been the condition of the city of Chicago. But the revenues of the city are always spent before the taxes are collected, and it has been claimed that to meet current expenses the Chicago officials might incur a temporary debt, and pay it off from the proceeds of the taxation when collected. This interpretation was questioned. Hence originated the test suit to which we have referred. It was brought to compel the Comptroller of the city to borrow in advance of the tax levy, for the purpose of paying current expenditure. An appropriation seems to have been made for this purpose, but as the needful tax had not been actually levied, the Comptroller refused payment and the courts sustained his refusal. This important case was tried in the Cook County Court of the State of Illinois, the opinion being read by Mr. Justice McAllister. On several accounts, as well as for those we have suggested, the decision in this case is of the highest importance. Moreover, this is, we believe, the first suit in which the full power of the constitutional prohibition in question has been submitted to judicial interpretation and limitation. We have space for a portion only of the opinion of the Court. After discussing the laws and ordinances under which the plaintiff claimed that he ought to be paid, although there was no money in the city treasury and no tax levied to put money for this purpose into the treasury, Judge McAllister proceeded to consider the force of certain laws sanctioning the expenditure of money by the city authorities of Chicago.

On this point the Court says: "The power conferred by such former statutes could be exercised only in case the corporation of Chicago had not become indebted up to the prescribed limit. These former statutes, if in force, must be regarded as modified to that extent by the present charter of the city. But it cannot be disputed that the Constitution of the State is the fundamental law. Section 12 of article ix. contains the following: 'No county, city, township, school district, or other municipal corporation shall be allowed to become indebted *in any manner or for any purpose* to an amount, including existing indebtedness, in the aggregate exceeding 5 per centum on the value of the taxable property therein, to be ascertained by the last assessment for State and county taxes previous to the incurring such indebtedness.' Now, if, when the city has already become indebted up to the prescribed limit, when ascertained as prescribed in the provision, as is admitted in this case, the going into the market and borrowing the sum in addition required to pay the claim set out in the petition, and giving an absolute undertaking to repay the money borrowed, would constitute a debt within the meaning of that clause, then it is clearly,

unquestionably prohibited by it, and the Legislature was powerless to authorize it to be done by any act continuing in force, either the amendatory acts or the ordinance. The ordinance was passed in April, 1875. If the Legislature could not then have passed an act authorizing it, much less could it delegate the authority to a municipal corporation. It is the duty of the courts to so construe the words of the Constitution as to give effect to the interest of the people in adopting it. In *People vs. Maynard*, 14 Ill., 421, the Court said: 'When the said Constitution took effect, any provision of a former law which was inconsistent with it became as much unconstitutional as if the law had been subsequently passed. A law cannot be in force in the State, no matter when passed, which contravenes the provision of the Constitution of the State.' This principle has been recognized by the Supreme Court in numerous cases since the new Constitution of 1870. The language employed in the prohibitory clause of section 12, article ix., above referred to, is clear and ambiguous, leaving no question open to a construction or judicial determination, but the question whether a given transaction by the corporation amounts to 'becoming indebted' within the meaning of the clause."

It is well known that among the expedients by which constitutional restrictions have been evaded and debts incurred by municipalities beyond the prescribed limit of 5 per cent., one of the most common is the application in some form of the theory that the Constitution in its restrictions has regard to the funded or permanent debt only, and that a city, if it keeps its funded debt within the bounds marked out for it, may go on and incur a floating debt to any extent which its authorities saw fit to sanction. This mischievous assumption the Judge proceeds to overthrow. He says: "As to that question, the words used seem to exclude all distinction between a permanent and what is called a temporary loan. The language is, that 'No city, etc., shall be allowed to become indebted in any manner or for any purpose to an amount,' etc. Nothing could be clearer than that these words forbid all distinction between a temporary and a permanent loan, if the latter in form and substance constitute a debt, and I have not the least hesitation in holding, and I do so in the light of the decisions of the Supreme Court of this State, which bind my judicial action as a member of a subordinate court, that to borrow money, and give an absolute undertaking to repay the same, is to 'become indebted,' within the meaning of the clause of the charter and Constitution in question, whether such loan be for one month or twenty years, and even though it might be the intention and purpose to apply the money so borrowed to pay current expenses, like those accruing for cleaning and repairing streets and alleys, as in this case, and out of the revenues of the present year, appropriated to that purpose. Such a loan is not in any legal sense an anticipation of such revenues, because it involves the creation of a liability wholly independent of them. But authorities have been cited, and I feel and recognize their force, to the effect that, as

respects the ordinary current expenses of the corporation, if there have been an appropriation and tax levy to meet them, such expenses when so provided for are not to be considered as debts within the prohibition of the clause either in the charter or Constitution.

"The transactions covering the fiscal year are to be regarded as entire transactions, and when the appropriation and tax levy are made, the moneys provided to meet such current expenses are in legal contemplation to be regarded as already in the treasury and no debt accrued. This doctrine is fully supported by the following authorities: *Grant vs. City of Davenport*, 36 Iowa, 301, where the constitutional provision is the same as ours; *People vs. Pacheco*, 27 Cal., 175; *State vs. Medberry*, 7 Ohio State R., 536; *Reynolds vs. Shreveport*, 13 La. Annual R., 426. 'If a municipal corporation,' says Dillon, 'has means in its treasury to meet its indebtedness, the issue of warrants to an amount larger than 5 per cent. of its taxable property is not a violation of the section of the State Constitution which provides that no municipal corporation shall be allowed to become indebted in any manner or for any purpose to an amount exceeding 5 per cent. of the taxable property within the corporation.' 'In such case it would not become indebted within the meaning of the constitutional clause' (Dillon on Municipal Corp., sec. 88, and cases referred to in note 2). The principal of these cases justifies the conclusion that there is no legal objection to the anticipation of the revenues so provided for by giving warrants specifically payable out of the revenues appropriated to the purpose out of which the claim arises, or to borrow money on warrants or certificates specifically payable as above stated.

"In such cases the only liability the corporation would incur would be that of an implied undertaking to exercise due diligence to collect the taxes. *White vs. Snell*, 5 Pickering R., 425 S. C. G., id. 16, and recognized in Chicago as *The People ex rel.*, 56 Ill., 333. Such a collateral or incidental liability could in no sense be considered as a debt or the incurring it, or as becoming indebted within the meaning of the law in question. To this extent the authorities cited by relator's counsel go. But as I understand these cases, they none of them pass upon this question—whether the borrowing money and giving an absolute undertaking to repay it, though with the actual intention of applying the appropriate revenues to that purpose, would not constitute a debt within the meaning of the prohibition in question. And so far as they go they sanction the anticipation of the revenues which are to be regarded as already in the treasury."

This distinction between an absolute and a specific obligation is an extremely important one, and the question raised, though it was not decided by the Court, was met by the City Council of Chicago by a special resolution, which, as we shall presently see, protected the credit of the outstanding certificates. The Court next proceeds to the question how far and under what conditions a municipality may legally anticipate its taxes so as to spend them

in advance of their collection. The conditions are stated by the Court to be two: First, the tax must be appropriated, and secondly, it must be actually levied. When these conditions are fulfilled, the revenues in question are to be regarded as in the treasury for the purposes to which they have been appropriated. In discussing this point the Court says: "At the time of the demand upon the respondent and filing the petition in this case, there had in no legal sense been any tax levied. An appropriation bill is one thing; a tax levy quite another. The levy of the tax is made by an appropriate ordinance of the City Council. So far as this case shows it has not been done. I cannot perceive how the principle of the cases cited can apply where no tax levy has been made, unless it be upon the theory that the transactions of the fiscal year are to be regarded as an entirety, as above suggested. The doctrine that the taxes levied are for the purpose of the ordinary expenses to which they are appropriated to be regarded as already in the treasury, is measurably fictitious, and I cannot see how any such presumption can arise before they are actually levied. It is not perceived how any inconvenience can arise from this view, as the levy consists only in the passage of the proper ordinance and certifying the matter to the County Clerk, which may be done at any time after the appropriation is made."

Every thoughtful observer who is familiar with the abuses in regard to the incurring of municipal debts, will conclude at once that there is some reason to fear that the freedom here allowed will be productive of future harm. Still it is not easy to see how these dangers could be avoided, without inflicting more positive evils. The Court sums up the whole argument as follows: "On the whole case I am of opinion that the corporation having already reached the prescribed limit of indebtedness, it would be within the prohibition of the law to add to that indebtedness by borrowing money and giving an absolute undertaking or obligation to repay it. I am further of the opinion that when an appropriation has been made for the ordinary current expenses, and the tax levied to meet them, neither the incurring of such expenses nor the anticipation of such revenues to discharge them will constitute a debt within the meaning of the prohibition in question, and it is upon the principle that when the appropriation and tax levy are made, these means are to be regarded as being already in the treasury, and may be anticipated by orders or certificates specifically payable out of the proper fund to meet the ordinary current expenses. This mode seems to me free from legal objection; the orders, warrants, or certificates so payable would be available, for they place the holder in a better position than even a judgment; as in the former case the holder need but present them, in the latter he might have to apply for a mandamus to compel a levy."

Lest, however, there should be any question as to the validity of the outstanding obligations, the Court adds to its elaborate arguments above given the subjoined statement, with which the

opinion concludes: "It is a misunderstanding to suppose that this case involves the validity of certificates heretofore issued. No such question is involved, and its determination would depend upon other considerations. In that case, if they are absolute undertakings, the ultimate question would be whether the power to borrow money which is effectual before constitutional limit is reached absolutely ceases as to innocent holders the moment that limit is reached, as if it had never been granted. This question is nice and difficult, and so far as I know has never been directly decided. Courts will be likely to so decide it as that such a prohibition shall not operate as a snare to innocent holders. But in this case the only question is as to the power and legal duty to borrow money under the circumstances as disclosed. I am inclined to deny the mandamus solely on the ground that no tax levy had been made, and the writ is accordingly denied."

---

## IS SILVER A LEGAL TENDER UNDER THE CONSTITUTION OF THE UNITED STATES?

BY GEORGE M. WESTON.

It is needless to multiply authorities, either to establish or illustrate the plain and obvious doctrine, that the language of the Constitution is to be interpreted according to the current ideas and accustomed meaning of words and phrases at the time when that instrument was framed.

Keeping this in view, we shall have little difficulty in understanding what was intended in giving to Congress the power to "*coin money, regulate the value thereof and of foreign coin.*"

Gold and silver—and those two metals only—were money and lawful tender by the common law of England. That common law was in this particular brought to this country by our ancestors, and by force of it, and without the aid of statutes, gold and silver were money and lawful tender.

This matter was ably discussed in 1820 in South Carolina, in the case of *McClarín vs. Nesbitt* (Nott & McCord, vol. 2, page 519), the Court saying that prior to the date of the United States Constitution, except during certain periods when paper had been made a tender, "the only legal tenders in this State were gold and silver, and these were so by virtue of the common law."

And again the same Court says:

"At common law (2 Institutes, 577), only gold and silver were a legal tender. It was under that common law that after the act (of South Carolina) of February 6, 1752, forbidding paper, gold and silver became such."

In Queen Anne's reign, in the commencement of the eighteenth century, there was a royal proclamation (1704), followed soon by a confirmatory act of Parliament (1707), fixing the rates at which

certain specified silver foreign coins should be current in the American Colonies, it being recited that diversities in rating such coins, injurious to trade, had arisen. But this proclamation and act, and all the statutes of the Colonies, fixing the rates at which specified gold and silver coins should pass current, proceeded upon the assumed fact and law that gold and silver were money and a lawful tender.

In the Institutes, pages 574 to 579, Coke discusses the matter at large, saying among other things :

"No subject can be enforced to take in buying or selling or other payment any money made, but only of lawful metal, that is, of silver or gold.

"The money of England is the treasure of England, and nothing is said to be treasure trove but gold or silver.

"And this is the reason that the law doth give to the King mines of gold or silver, thereof to make money, and not any other metal which a subject may have, because thereof money cannot be made."

And it is here pertinent to remark, that with the English law that gold and silver were true money brought to America by our ancestors, was brought that other mixed rule of law and sound morals, that coining money is merely a mode of indicating its intrinsic value, and that the ancient practice of debasing coins for the benefit of royal treasuries is forever abandoned. Potter, *arguendo* in the Legal Tender Cases (12 Wallace), refers most happily to the fact, that one of the great glories of Queen Elizabeth, recorded on her monument, is "*Moneta ad suum valorem reducta*" (money restored to its intrinsic value), and that in the three centuries which have followed her reign, England has witnessed no debasement of the coinage. Our ancestors in 1787 knew well what the English common law was, and with no writer upon it were they more familiar than with Blackstone, who had taught them (Commentaries, 1278):

"The coining of money is the act of the sovereign power, that its value may be known on inspection. Every nation fixes on its own impression, that the weight and standard, wherein consists the intrinsic value, may be known *by inspection only*. \* \* \* But the King's prerogative seemeth not to extend to the debasing or enhancing the value of the coin below or above the sterling value."

Gold and silver were the money of England at the date of American independence, and so continued when the United States Constitution was framed. We have seen it stated by a respectable authority (*Money*, by Moran, 1863), that by an act passed in 1774, the legal-tender power of silver was limited to sums not exceeding £25, but this is an error. That act provided merely, that in consequence of the lightness of many of the silver coins in circulation, they should be a tender above the sum named, not by tale but by weight, at the Mint price per ounce of silver, being the equivalent of the provisions which now exist in both England and America for gold coins of light weight. Silver was legal tender to all intents and purposes and for all sums in England, at home and in her colonies, down to the time when America entered upon her separated and independent career.

Nor was it only in England, from which our common law is

derived, but throughout the world, that gold and silver were recognized as peculiarly the precious metals and as money.

The French boast of Turgot's definition of money :

"Gold and silver are constituted, by the nature of things, money and universal money, independently of all convention and all law."

Daniel Webster's definition is better, where every word strikes like the blow of a trip hammer :

"Gold and silver are money, by the law of the world abroad, and by the law of the land at home."

Thus, then, interpreting words by their universally accepted meaning when used, the power given to Congress by the Constitution to "*coin money*" was the power to coin gold and silver, because these were money and nothing else was money. The true doctrine was never better expressed than by the Court in the case of *McClarín vs. Nesbit*, before cited :

"It was not the intention of the framers of the Constitution to give to Congress the power of making money; they have only been intrusted with the power of coining that which was money—gold and silver."

Any other construction sets everything afloat as to the most vital of the necessities which led to the adoption of the Constitution. Mr. Webster says (Works, vol. 3, page 395):

"The establishment of a sound and uniform currency was one of the greatest ends contemplated in the adoption of the present Constitution."

If Congress can coin any substance dictated by caprice, interest, or faction, from time to time, there is no standard. The fathers were guilty of no such folly. They limited the coinage to gold and silver, which alone were money, as then understood by all mankind.

In *Ogden vs. Saunders* (12 Wheaton, 265), the United States Supreme Court, per Washington, J., says:

"It [the Constitution] declares that 'no State shall coin money, emit bills of credit, make anything but gold and silver coin a tender in payment of debts.' These prohibitions, associated with the powers granted to Congress 'to coin money and to regulate the value thereof, and of foreign coin,' must obviously constitute members of the same family, being upon the same subject and governed by the same policy. This policy was to provide a fixed and uniform standard of value throughout the United States."

In the Legal Tender Cases (12 Wallace), Clifford, J., says :

"Money, in the Constitutional sense, means coins of gold and silver.

"The money authorized by the Constitution is coined money, and, as a necessary consequence, must be money of actual value, fabricated from the precious metals generally used for that purpose at the time when the Constitution was framed.

"Coined money, such as is authorized by that clause of the instrument (art. VIII., clause 5), \* \* \* is the same money as 'the gold and silver coins' described in the 10th section of the same article.' \* \* \* Intrinsic value exists in gold and silver. \* \* \* Commercial transactions imperiously require a standard of value, and the commercial world at a very early period in civilization adopted gold and silver as the true standard for that purpose, and the standard originally adopted has ever since continued to be so regarded by universal consent to the present time.



"Enough has already been remarked to show that the money unit of the United States is the coined dollar described in the act establishing the Mint.

"The value of the money unit was never diminished, and it remains to-day (1870), in respect to value, what it was when it was defined in the act establishing the Mint.

"The members of the Convention who framed the Constitution knew that the money of the world was gold and silver.

"Gold and silver were adopted as the standard of value even before civil governments were organized, and they have always been regarded as such to the present time."

In the same Legal Tender cases, Field, J., said:

"The inhibition upon the States to coin money and to make anything but gold and silver a tender in payment of debts, must be read in connection with the grant of the coinage power to Congress. \* \* \* The framers of the Constitution were considering the subject of money to be used throughout the entire Union when these provisions were inserted, and it is plain that they intended by them that metallic coins, fabricated by the National Government or adopted from abroad by its authority, *composed of the precious metals*, should everywhere be the standard. \* \* \* At that time gold and silver molded into forms convenient for use, and stamped with their value by public authority, constituted, with the exception of pieces of copper for small values, the money of the entire civilized world. Indeed, these metals \* \* \* always have constituted money with all people having any civilization, from the earliest periods. \* \* \* It was with 'four hundred shekels of silver, current money with the merchant,' that Abraham bought the field of Machpelah."

The power given to Congress to "*regulate the value*" of coins struck at the Mint, is precisely the same amount of power which is given as to foreign coins. The power of coinage covers the right to fix the amount of alloy and the denominations of coins. "*Regulating the value*," as here used, must be something which Congress can do equally in respect to foreign coins and in respect to domestic coins. It is simply the power to *declare authoritatively what the value is*, as when Congress has declared an English sovereign to be worth for tender purposes so many dollars and so many cents, and a French five-franc piece so many cents.

As Field, J., said in the Legal Tender cases:

"The power of regulation conferred is the power to determine the weight and purity of the several coins struck, and their consequent relation to the monetary unit which might be established by the authority of the Government—a power which can be exercised with reference to the metallic coins of foreign countries."

All money coined at the Mint, if fabricated of the precious metals, and if not debased below the standard to which "*the King's prerogative seemeth not to extend*," is necessarily legal tender from the nature of the thing, and does not derive that character from any law of Congress. It is true that language has been used by Congress in several instances, which has led shallow and careless persons into the error, that that body has asserted a power to make coins a tender by its own authority. In some of these instances Congress has merely prescribed *in what manner* coins shall be a legal tender; whether by tale or weight. In other instances, as when they have declared that the English sovereign of full weight shall be a tender for so many dollars and so many

cents, they are not to be understood as claiming the right to make the sovereign a tender, but as exercising the right to "regulate the value" of the English sovereign as one of the "*foreign coins*," in respect to which they have that right.

In the Legal Tender cases, Potter, *arguendo*, says:

"Money is, *ex necessitate*, a tender in payment of debts due in money, even if not so declared by law, just as coals of a specified kind are a lawful tender in discharge of a contract for coal, and cotton of a contract calling for cotton."

In the same cases, Clifford, J., says:

"Very strong doubts are entertained whether an act of Congress is absolutely necessary to constitute the gold and silver coins of the United States, fabricated and stamped as such by the proper executive officers of the Mint, a legal tender in payment of debts. Constituted as such coins are by the Constitution the standard of value, the better opinion would seem to be that they become legal tender for that purpose if minted of the required weight and fineness."

In the same cases, Field, J., says:

"Money being a standard, its coins or pieces are necessarily a legal tender. The provisions in the different coinage acts that the coins to be struck shall be such legal tender, are merely declaratory of their effect when offered in payment, and are not essential to give them that character."

Summing up the whole matter, the Constitution, recognizing the fact that the power to make legal tenders is in the States, with whom is the control over all matters of contract, imposes upon them and not upon Congress, the prohibition that nothing but gold and silver shall be made a tender in payment of debts. To Congress it gives only the power to "*coin money*," meaning thereby gold and silver. It does not prohibit Congress from making any other tender, because, as Hamilton said (*Federalist*, No. 34):

"Why declare that things shall not be done which there is no power to do?"

It will present the argument in words more weighty than ours, to quote the following from Mr. Webster's speech in the United States Senate, December 21, 1836:

"Most unquestionably there is no legal tender, and there can be no legal tender, in this country but gold and silver, either the coinage of our own mints or foreign coins at rates regulated by Congress. This is a Constitutional principle, perfectly plain, and of the very highest importance. The States are expressly prohibited from making anything but gold and silver a tender in payment of debts; and, although no such prohibition is applied to Congress in express terms, yet Congress has no power granted to it in this respect but to coin money and regulate the value of foreign coins. \* \* \* The legal tender, therefore, the Constitutional standard of value, is established and cannot be overthrown."

Further continuing his argument, Mr. Webster closes magisterially:

"I am certainly of opinion, then, that gold and silver, at rates fixed by Congress, constitute the legal standard of values in this country, and that neither Congress nor any State has authority to establish any other standard or to displace this."

Mr. Webster covers every part of the case. Not satisfied with denying the right anywhere to "*establish any other standard*," he

denies the right anywhere "*to displace this.*" With one blow he drives the nail home, and with another blow he clinches it, and his work survives him, still strong and stanch and fast.

To the same effect are all the authorities. To multiply them is useless, and we will only add that of Albert Gallatin, who (in 1831), after quoting the provisions of the Constitution, says:

"As Congress has no authority to make anything whatever a tender in payment of private debts, it necessarily follows that nothing but gold and silver coin can be made a legal tender for that purpose."

We have now to consider to what extent, if at all, the Constitutional doctrines as to money and tenders have been affected by the action of Congress in 1862, in making Treasury notes a tender, and by the final decision of the Supreme Court sustaining that action. The answer is, that neither the action of Congress, on the grounds upon which it was placed, nor the decision of the Court, either in what it necessarily involves, or in the general line of argument of the Judges making the decision, affects these Constitutional doctrines in the slightest degree.

It is obvious enough, that creating an additional legal tender does not touch the position that gold and silver are the only metals which can be the subject of coinage, and that the States can establish no other tender. The legislation of Congress in 1862 did not touch the functions of gold and silver in any aspect or point. They remained tender as fully afterwards as before. What was done altered nothing in respect to the precious metals, but only made certain Treasury notes a tender equally with them. There was no substitution of one tender for another, but merely the addition of a new tender to an old one.

Nor was the new tender asked for or enacted, upon the claim for Congress of any substantive power to create tenders, or of any general right of Congress to interfere with the question of tenders. The law of 1862 was both really and avowedly enacted upon the official and solemn declaration of the head of the Treasury Department, that it was impossible to supply the public chest; impossible to pay and provide for the army and navy; impossible, in short, to carry on a war in which the country was lawfully and necessarily involved,—without that precise species of forced loan which is implied in giving to circulating Treasury notes the quality of tender. The ground assumed was, not that Congress had any independent and substantive power to create tenders, but might do precisely what it did do, as necessary, within the Constitutional meaning, to carry out other powers, the possession of which by Congress was disputed by nobody.

Nothing can be plainer than that to claim and exercise upon such grounds the power of making Treasury notes a tender, cannot by any possible implication involve pretensions either to the power of making anything else a legal tender, or to the power of taking from gold and silver the position and functions given to them by the Constitution.

All that the decision of the Supreme Court sustaining the law

of 1862 implies is, that the power exercised by that law either was necessary to effectuate the admitted powers of Congress, or that, under the circumstances, the Court was not justified in overruling the judgment of the legislative branch of the Government, that giving the tender quality to Treasury notes was essential to the powers of borrowing money, providing for armies, and making war.

Opinions have differed and do differ, in and out of Congress, and in and out of the Court, upon this question of necessity. The dissenting members of the Court maintained that the borrowing power was sufficiently fortified by the taxing power, if efficiently and courageously exercised, to have supplied the Treasury, kept the armies in the field, and carried the country through the war. That is a controversy which we do not here propose to undertake to settle. It has no relation to the matter in hand. It suffices to point out that, to claim the right to make Treasury notes a legal tender under the stress of certain circumstances, can affect no line of argument as to the Constitutional functions of the precious metals.

So also it is unnecessary here to consider the controverted points as to the power of Congress to make a legal tender of copper (decided against the power in the before cited case of *Mc-Clarín vs. Nesbit*), or as to the power of Congress to make token money of reduced weights of silver, as was first done in 1851 and 1853, and to make such tokens tenders for small sums. Our own judgment is, that Congress possesses neither power, and that it is sufficient to say of both that convenience insures acquiescence, and that *de minimis lex non curat*.

Upon this review of the Constitution and authorities, how is it possible that American silver coins of the standard value, or foreign silver coins, the value of which has been "*regulated*," that is to say, *declared* by proper authority, can be demonetized in this country? If done at all, it cannot be done by Congress, which has no jurisdiction, but must be done by the States, and under the construction that the words "gold *and* silver" in the Constitution may be treated as if written "gold *or* silver." But to this there are three decisive objections:

1. On this construction we have no uniform standard of value in the United States, because the action of the States in the premises might vary, and probably would vary. Nevada might adopt silver and New York might adopt gold, while other States might adopt both.

2. This construction involves the absurdity that each or all of the States may reject as a tender, a metal which Congress is unquestionably authorized to coin as money.

3. On this construction, we have no stable standard of value, because a standard of gold is fundamentally different from a standard of silver, and a standard of either of those metals alone is fundamentally different from a standard of both those metals combined. A construction which gives power to Congress and the States to adopt at pleasure, and to change at pleasure, one of three

standards, all fundamentally different from each other, is a construction condemned upon the bare statement of it.

If the values of the existing amounts of gold and silver are equal, as they are computed to be, a change from the standard of one to a standard of the other, would not affect prices or the good faith of contracts. But who is to guarantee the continuance of this equality, if it now exists? Undoubtedly, before the Californian and Australian discoveries the preponderance of silver was immense. It may become so again, or a different course of mining events may give a decisive preponderance to the other metal. A power to change the standard at pleasure from gold to silver and back again from silver to gold, is a power to appreciate or depreciate money at pleasure, within what may be an enormous range, as the creditor or debtor interest happens to predominate in political councils.

Still greater in its effects might be the change from the standard of the two metals combined to the standard of one alone. In the actual equality of the two metals as computed, to change from the double standard to a gold standard is to reduce the mass of money one-half. But if the value of the amount of one metal becomes twice that of the other, a change from the double standard to the standard of the metal least in the value of its amount, would reduce the mass of money two-thirds. And to that there is no answer except this, that a reduction by one-half of the mass of money would ruin everybody who is in debt, and that a reduction of two-thirds could do no worse.

Undoubtedly the word "*and*" may be construed as "*or*," when it is apparent that the intended sense was disjunctive and not conjunctive. But can it be pretended that the framers of the Constitution had any other idea of the metallic standard, than the combined mass of gold and silver then everywhere used as such? Or can it be pretended that they would have consented to intrust either Congress or the States with the power of contracting the standard, and thereby the measure of all property, to a single metal?

What is here insisted upon is not mere verbal criticism. There is something more concerned than the copulative energy of one single and short word. The question goes down to the pith and marrow. This single and short word was the sign to be read of all men, and ineffaceable, of a conjunction of things which had been as old as the centuries and as wide as the globe, and which the vital necessities of commerce and the still more imperative demands of the justice of contracts require to be forever indissoluble. For more than five-sixths of a century this single and short word had received its obvious and intended and true construction, when, without warning, or debate, or report of committee, or protocol of reasons in any form, and, so far as appears, without the observation of the great body of the persons composing the Congress of the United States, not only was a false construction given to this word, but a power was assumed by Congress which belongs to the States, and not to Congress, if this construction is the true one.

What Congress did partially in 1873 and more completely in 1874, was to demonetize silver of full standard. Congress cannot demonetize anything. All it can do with the precious metals is to coin money out of them. When it has caused them to be coined Congress has exhausted its power.

Congress cannot coin a silver dollar and then declare that it is not a dollar as a tender, which is the distinctive purpose for which bullion is transformed into coin. Our mints were constructed and are maintained to coin money, and not to issue *demonetized money*—that is to say, money which is not money, but pieces of metal disfigured by deceptive words and empty devices.

Undoubtedly, Congress has what may be called the physical power of refusing to provide for the coinage of either gold or silver, or of both. Charged with the duty, because clothed with the exclusive power of coinage, it may neglect that duty or refuse to discharge it, and that is true of any of its duties. Certain things are not to be supposed. In a recent and painful case Mr. Charles O'Connor adverted to the Roman law, which refused to admit the possibility of parricide, and made no provision for its punishment. We may well refuse to admit the possibility that Congress will deliberately abdicate any of its trusts. There is nothing to excite that apprehension with respect to the trust of the coinage, than which no one is higher. During eighty-six years it fully discharged it, according to the plain letter and known intent of the Constitution. Its recent action may safely be set down to the score of inattention and inadvertence.

But we are not without remedy on the law as it stands. The trade dollar, the coinage of which is demandable as of right by every depositor of silver bullion, is of full standard, and even a little above the full standard, and may be enforced by the courts as a tender for all sums, without attention to the idle declaration that it is not a tender for any sum above five dollars. The great State of New York has put that in issue in its Act of March 22, 1875, declaring that every contract "made or implied after January 1, 1879, and payable in dollars, but not in a specified kind of dollars, shall be payable in United States coin of the standard of weight and fineness established by the laws of the United States, at the time the contract or obligation shall have been made or implied."

Congress has the power of regulating, that is, of declaring, the value of foreign coins, and this it has executed by section 3,564 of the Revised Statutes, as follows:

"The value of foreign coins, as expressed in the money of account of the United States, shall be that of the pure metal of such coin of standard weight, and the values of the standard coins in circulation of the various nations in the world shall be estimated annually by the Director of the Mint, and be proclaimed on the first day of January by the Secretary of the Treasury."

Clearly, foreign coins of either gold or silver, at the values thus regulated by authority of Congress, are tenders, notwithstanding any idle declaration that no foreign gold or silver coin shall be

such. The Constitution contemplated the tender of foreign coins, and has provided for it.

Colonel Benton (*Thirty Years in the Senate*, vol. 1, pp. 444-5) declares that it "was the intention of the Constitution that foreign coins should pass currently as money; that this was the design of the States in conferring upon Congress the power of regulating the value of these coins; that all the laws of Congress for preventing the circulation of foreign coins were so many breaches of the Constitution. The only power the Constitution had given to Congress over foreign coins was a power to regulate their value and to protect them from debasement by counterfeiters. It was certainly a most strange construction of that authority to prohibit their circulation."

But even if Congress should abrogate this regulation of foreign coins, and should also entirely arrest the coinage of full standard silver coins, there would remain to the States and the people a remedy, partial and inadequate, but still valuable. The power of regulating the value of foreign coins as given to Congress, is not an exclusive power, either by the terms of the grant or by intrinsic character, and is not prohibited to the States, and may, therefore, be exercised by them if Congress does not exercise it.

Chancellor Kent (*Commentaries*, vol. 1, page 387 and following pages) collates the authorities which are harmonious, and lays down the true rule:

"The mere grant of a power to Congress does not imply a prohibition on the States to exercise the same power. Thus, Congress is authorized to establish uniform laws on the subject of bankruptcy, but the States may pass bankrupt laws, provided there be no acts of Congress in force establishing a uniform law on that subject. The States may legislate in the absence of Congressional regulations. It is not the mere existence of the power, but its exercise, which is incompatible with the exercise of the same power by the States."

Summarizing the case of *Houston vs. Moore* (5 Wheaton, 1), Chancellor Kent further says:

"The doctrine of the Court was, that when Congress exercised its powers upon any given subject, the States could not enter upon the same ground and provide for the same objects."

The States may, therefore, regulate—that is, declare—the value of foreign silver coins if Congress fail to do so, and at the values so declared such coins may be made a tender.

But the best and most comprehensive remedy is the return by Congress to the good, old, and safe ways of the fathers and of the Constitution.



## THE SITUATION.

If the question were asked of each one of a number of business men engaged in different branches of trade, "What is the principal cause of the depression or want of prosperity in your particular branch of business?" the almost universal reply would be, "over-production," or "a larger supply than demand." But this is not a cause for general poverty. It is, or ought to be, prosperity. The surplus over consumption is wealth. In Great Britain it is generally conceded that good crops mean good times, and poor crops hard times. But our farmers complain of poverty because of large crops. The cotton and woolen mills pay no dividends, and no other reason is given but "over-production." So it is with every branch of trade; yet all this should mean prosperity to us,—not times when willing workers are idle, and privations and poverty are almost as hard to bear as the evils which exist during a state of civil war. In fact, many compare the so-called good times of twelve years ago favorably with our present condition, when bankruptcy to business men and idleness to working men are so common.

What is the trouble? Large crops and an over-production of manufactures—in other words, a surplus—must be wealth. It is ability to pay our debts abroad and at home. It should be traffic for railroads and steamships and profitable work for all. We have, however, a very different result. Whence does this arise and why is everybody poor? Economy means reduced consumption, and yet economy is the general step taken to cure the evils coming from larger supplies than demands. Is not our situation different from any of former times? Does not our trouble come from other causes than those which were active in 1837, 1845, 1857, and 1861?

The productive force of steam is a new element. Numberless machines are at work: mines, mills, workshops, and lands are worked by steam, until only profit limits production. The producing power from steam in this country and in Great Britain exceeds the manual labor of the whole world. The great need, then, is increased consumption; and this calls for more monetary facilities, but while the needs of the world are thus growing with the increase of population and of producing power, we have gold absorbed unduly by nations who are using a single money standard, and the money of commercial nations is, relatively to its use, diminishing. The amount of gold and of silver in the world is substantially equal—about six thousand millions of dollars of each,—but Great Britain and this country have given up the use of silver money except for small change; Germany pro-



poses to follow her example, and France threatens to do the same. That is, while the civilized world—in other words, the part of the world using steam-power—has increased its production many times, and has doubled its population, the production of gold has diminished from a yearly average of \$146,000,000 from 1852 to 1856, to a yearly average of \$98,000,000 from 1867 to 1874, and yet we join in with other commercial nations in demonetizing silver. Can we as a young and a debtor nation afford to continue this? Is it, as a certain class affirm, a matter of principle, or is it not entirely a matter of policy, a question to be properly governed by our own interests? We are a debtor nation; we are the silver-producing nation of the world; silver in every condition fulfills its part as money equally well with gold, and its production is more uniform than that of gold.

Until the present time the amount of silver in use has been greater than that of gold. Even up to 1848 silver was 60 per cent. of the total. After 1860 the gold coin in use increased to an amount about equal to silver coin. The present production of silver promises to re-establish the old relation of silver to gold, but there is no ground for apprehension that the excess of silver will be beyond that of the average of the past one thousand years.

The question, then, is, is it to our interest to have silver money? We have no contract with the world which requires us to use only gold for money. The debtor class is the life of the country, and should be protected in its rights, and the Government is bound to provide, as far as its power controls, money that will increase in amount as the need for it increases from year to year. Can this be done with the single standard of gold? The growth of population and of the producing power in this country necessitates a corresponding increase in money, in order that the creditor and the debtor, the man of money and the man of labor, may each have equal rights. This is only possible when money has a nearly constant value, and it cannot have while the production of gold is diminishing actually or relatively to its increased use, unless we compensate for this diminution by using silver as money.

The price of silver was below sixty pence English money an ounce previous to the year 1860, when the effect of the increased production of gold was felt in advancing the price of silver up to a maximum of sixty-two pence an ounce in the year 1859. The price fell below sixty pence an ounce in the year 1873, but there is no reason to apprehend that the price would fall below the average price of preceding centuries, except from the effect of demonetizing silver. The present production of silver would not during this century reduce the proportion of gold to silver below the average of the years from 1700 to 1850.

We think the question of remonetizing silver, giving it the same power as money that it had for several thousand years up to three years ago, is the important financial question of the year.

## HISTORY OF MASSACHUSETTS SAVINGS BANKS.

BY DUDLEY P. BAILEY, JR.

The annual report of the Massachusetts Savings Bank Commissioner, recently issued, shows that there were in operation on the 31st of October, 1875, in that State, 180 savings banks, having 720,634 depositors, and \$237,848,963 of deposits,—an increase of \$20,396,842, as compared with 1874. The number of deposits received during the year preceding the date of the return was 643,173, the amount of the same \$59,930,144. The number of deposits during the year of \$300 or more at one time was 46,635, and the amount of the same \$27,889,291, an average of \$598 to each, leaving the remaining \$32,040,853 for 596,538 depositors of sums smaller than \$300 at one time, giving an average of \$53 to each. The number of withdrawals during the year was 482,924, and the amount of the same \$46,996,036, or about \$13,000,000 less than the deposits, leaving about \$7,400,000 of the increase in the amount of deposits to be derived from the dividends credited. The number of new accounts opened was 126,458, the number closed, 93,781; showing a decrease as compared with 1874 of 5,257 in the former and 2,803 in the latter. The number of accounts opened reached its maximum of 148,612 in 1872, and has been growing less each year since. The number of accounts closed was greatest in 1874. The number of deposits annually received reached its maximum of 702,138 also in 1872. The surplus of the savings banks was \$4,592,729, or not quite 2 per cent. of the deposits, against \$3,045,247 in 1872, and \$3,172,877 in 1867, the first year in which the surplus was reported. The greatest increase in the number of depositors and in the amount of deposits was in 1871, when the increase in the former was 72,404, or 14 per cent., and in the latter, \$27,958,980, or 20½ per cent. The increase in the number of depositors has shown a decline at each annual return since 1871, being but 18,540 last year—or but little more than half as many as in the year preceding. The smallest increase in the amount of deposits since 1871 was in 1874, when it reached only \$15,256,777, nearly half of which was derived from dividends credited. The average deposit to each account was \$330, against \$309 in 1874. This large increase may be in part due to a law enacted in 1874, which, as amended in 1875, and now incorporated with the new law, permits the savings banks to receive deposits from any person until they reach \$1,000, and to allow interest upon such deposits and upon the interest accumulated thereon, until the principal and accrued interest amount to \$1,600, interest to be thereafter allowed on no greater sum

than \$1,600, except in the case of religious or charitable corporations. For forty years previous to this law the maximum deposit had remained fixed at \$1,000. The report shows the tendency to lower rates of interest on loans and to lower dividends. The amount of loans at rates above 7 per cent. was \$43,873,223 in 1875, against \$73,594,920 in 1874, most of these being at  $7\frac{1}{2}$  and 8 per cent. The loans at over 6 and not exceeding 7 per cent. (principally at 7 per cent.) amounted to \$87,358,258 in 1875, against \$83,813,472 in 1874. Loans at and below 6 per cent. amounted to \$17,609,997 in 1875, against only \$2,431,351 in 1874. The number of outstanding loans not exceeding \$3,000 each was 39,200, and their amount \$46,920,247. There were 30 institutions in 1874 and only 14 in 1875 which declared ordinary dividends of 7 per cent. Of those declaring dividends of  $6\frac{1}{2}$  per cent. there were 21 in 1874 and 28 in 1875. The number which declared dividends exceeding 6 per cent. was 54 in 1874 and 48 in 1875. There were 109 in 1874 and 119 in 1875 which paid 6 per cent., and 12 in 1874 and 10 in 1875 paying less than 6 per cent. These figures indicate how marked have been the changes in the financial situation and in the social condition of the people of Massachusetts within the past four years.

The history of savings banks in Massachusetts is invested with a peculiar interest, from the fact that the first savings bank established on the soil of the United States was established in Boston in 1816. This was thirty-four years subsequent to the establishment of the Bank of North America—the first regularly constituted bank in this country; and when the banking capital of the State had reached \$11,475,000, and that of the nation \$125,000,000, showing how much later in point of development were the savings institutions than banks of deposit, discount, and circulation. The term "bank" does not appear at that period to have been applied to the former. In all the charters granted previous to 1833 they are designated as "savings institutions," or "institutions for savings." Previous to the passage of the first general savings bank law in 1834, they were subjected to no legal restrictions, except such as were contained in their respective charters. In the earliest charters the provisions were very general. That of the Provident Institution for Savings, chartered in 1816, provided that it should improve all deposits "to the best advantage," and divide the profits thereof among the persons making such deposits in just proportion, after after reasonable deductions, the principal of such deposits to be withdrawn as said society should appoint. The charters of the Salem (1818), Newburyport (1820), and Roxbury (1825), contained substantially the same provisions, with the power to establish by-laws not repugnant to the laws of the Commonwealth. The next charter granted, that of the New Bedford Institution for Savings (June 16, 1825), went a step further, and provided that "the officers and agents of the said institution shall lay a statement of the affairs thereof before any persons appointed by the Legislature to examine the same, whenever required so to do, and shall ex-

hibit to them all the books and papers relating thereto, and shall submit to be examined by them concerning the same under oath. And the Legislature may at any time make such further regulations for the government of said institution as they may deem expedient, and may alter, amend, or repeal this act at pleasure." All the charters since granted have been either by special provision contained in the charter itself, or by general law made subject to alteration, amendment or repeal, and all but three, granted between 1825 and the passage of the general law, contained all the provisions contained in the charter of the New Bedford.

The number of charters granted from 1816 to 1833 inclusive was twenty-two, of which fourteen had been granted in the six years 1828-33. The rapid multiplication of these institutions led to the enactment in 1834 of a general law relating to savings banks. By this law it was provided that no such corporation should hold at the same time more than \$1,000 of any one depositor other than a religious or charitable corporation. Investments were limited to the stock of any bank incorporated under the authority of the Commonwealth or of the United States; public funds of Massachusetts or of the United States; bonds or notes with the pledge of any of said securities as collateral to the amount of not over 90 per cent. of the par value in the case of bank stock; loans to banks on interest or to any county or town in the State; or mortgages of real estate; but no institution was to hold at any one time, both by way of investment and as security for loans, more than one half of the capital stock of any bank, or to have more than three-quarters of its deposits invested at any one time in mortgages of real estate. If the moneys held by the corporation could not be conveniently invested in any or all of these ways, it might loan not more than one-half of its funds on bonds or other personal securities, with at least two sureties, who, as well as the principal, must be citizens of Massachusetts. No officer or committee of a savings bank, charged with the duty of investing the deposits, was allowed to borrow any portion of the same. The income was to be divided among the depositors in just proportion, after deducting expenses, and deposits might be withdrawn as provided in the by-laws of the respective institutions. Among the most important provisions was that requiring the treasurer of every such corporation, as often as once every year, to make return of the state thereof, as it was at two o'clock in the afternoon of the last Saturday of some preceding month to be fixed by the Governor, such return to be made to the Secretary of the Commonwealth within fifteen days after an order to that effect, and to specify the number of depositors, total amount of deposits, amount invested in bank stock, amount deposited in banks on interest, amount secured by bank stock, amount invested in public funds, loans on security of the public funds, loans on mortgages of real estate, loans to county or town, loans on personal securities, amount of cash on hand, total dividends for the year, and annual expenses of the institution, all certified and sworn to by the treas-

urer and five or more trustees or managers of each corporation. Yearly abstracts of these returns were to be prepared and laid before the Legislature by the Secretary of the Commonwealth. The Legislature reserved the right to make other or further regulations for the government of the savings banks, and to take away their corporate powers, and all such institutions and their officers were made subject to examination by a committee of the Legislature.

No penalty was provided for the violation of these provisions, except that in relation to examinations, reliance being apparently placed on the provisions for publicity and the power to repeal the charters. The general soundness of these provisions is attested by the fact that they have furnished the groundwork of all the subsequent legislation on the subject down to the present day.

The first return under this law showing the condition of the banks on the 27th of September, 1834, gives the number of banks in operation as 22; the number of depositors, 24,256, and the amount of deposits as \$3,407,773. The largest item among the investments was bank stock, of which the savings banks held \$1,192,097, or 4 per cent. of the bank capital of the State at that time. Loans secured by bank stock amounted to \$557,930; deposits in banks on interest, to \$520,669, giving \$2,270,697 of investments, the value of which depended upon the soundness of the banking system, as against \$942,923 for all other investments reported. During 1834 and 1835 eleven more savings banks were chartered, and the number in operation October 29, 1836, was reported as 28; the number of depositors had increased 4,500; the amount of deposits nearly \$1,000,000; the bank stock to \$1,459,196; loans on bank stock to \$543,011, and deposits in banks on interest to \$964,204, giving \$2,966,411 as the stake of the savings banks in the banking system, against \$1,516,810 for all other investments. The crisis of the next year disclosed the danger of having the savings banks so heavily involved in the fortunes of the general banking system. The losses to stockholders on banks which failed or wound up in the three years, 1837 to 1839 inclusive, were estimated at nearly \$2,000,000, and if the savings banks suffered as much as other stockholders in banks, their loss from this source alone must have amounted to \$84,000, a sum equal to half the dividends paid in 1836. How much of this loss the savings banks escaped by the exercise of a sounder discretion than other investors, it would be impossible at this date to tell.

It is certain that from this time a change began to be manifest in savings bank investment. The amount invested in public funds increased from \$5,182 in 1837 to \$1,373,667 in 1842, and \$2,130,290 in 1847; loans on mortgage of real estate, from \$727,518 in 1836 to \$1,919,902 in 1842, and \$4,132,386 in 1847; loans to counties and towns, from \$357,148 in 1836 to \$597,893 in 1842, and \$947,094 in 1847, and loans on personal security, from \$410,242 in 1836 to \$1,050,052 in 1842, and \$2,053,001 in 1847. Bank investments showed a very different tendency. The amount

invested in bank stock remained nearly stationary for several years, standing in 1842 at \$1,484,341, and rising to only \$1,978,951 in 1847. The loans on bank stock were reduced to \$249,081 in 1842 and \$143,305 in 1847, and the deposits in banks on interest to \$217,066 in 1842 and \$140,540 in 1847. The savings institutions had at stake in the banking system, therefore, only \$1,950,428, or about two-sevenths of their deposits in 1842, and \$2,262,796, or less than one-fifth in 1847, against about two-thirds in 1836. The history of savings banks in Massachusetts since the returns were first required, has not witnessed another revolution in investments of so radical a character.

The law of 1834 was found by experience to be defective in not providing any adequate machinery for the enforcement of its provisions. To remedy this defect and provide for a more efficient supervision of the banks and savings institutions, a law was passed in February, 1838, directing the appointment of three bank commissioners, some one of whom was required to visit every savings institution at least once in every twelve months, and as much oftener as they might deem expedient, and thoroughly examine all the affairs of such corporations, with free access to books, papers, and vaults, and the power to examine the directors, officers, and agents under oath. The Commissioners, or a majority of them, were further required, whenever directed by the Governor, to make a special examination of any institution designated by him. If, upon examination, the majority of the Commissioners were of opinion that any institution was insolvent, or that its condition was such as to render its further progress hazardous to the public or to those having funds in its custody, and also that the institution had exceeded its powers or had failed to comply with all the rules, conditions, and restrictions provided by law, they were authorized to procure from some justice of the Supreme Judicial Court an injunction restraining such corporation in whole or in part, either temporarily or permanently, from further proceeding with its business. The Commissioners were required in the month of December, annually, to make a report to the Governor of the general conduct and condition of the corporations visited by them. This law remained in force five years, being repealed in March, 1843. During its continuance there were few occasions for the exercise, in regard to savings banks, of the extreme powers granted by it.

For several years after the crisis of 1837, there was no increase in the number of savings banks, and the increase in their deposits was not rapid. Several of the banks that had been chartered never organized, and during the ten years from 1835 to 1845 four banks which had organized and commenced business discontinued. One of these, the Institution for Savings in Taunton, chartered in 1827, failed. It was placed under an injunction in 1843, and closed up its affairs in 1847 or 1848, after paying a dividend of  $82\frac{1}{4}$  per cent. on its deposits. These amounted to \$166,142 in 1843.

The development of railroads led to the passage in 1841 of a

law authorizing the savings banks to loan money upon pledge of stock of any Massachusetts railroad, the whole amount of whose capital was actually paid in, if not encumbered by mortgage, or worth less than par in the market at the time of the loan, which loan was not to be for more than 85 per cent. of such par value. This class of investments has always been comparatively insignificant in amount, the largest sum ever reported being \$617,811, in 1874.

In 1846 the law relating to the returns of savings banks was revised, by requiring them to state, in addition to the particulars previously required, the place where the bank was located, the amount of each kind of public funds, the amount of stock in each bank, the amount of loans on each stock, whether of bank or railroad; the sum invested in real estate; amount deposited in each bank on interest, the rate and amount of ordinary dividend for the last year, and average annual per cent. of dividends of last five years. By another act passed the same year, the receipt of a married woman for the payment of money deposited by her before or after marriage, was made a valid discharge to any savings institution making such payment. In 1847 a law was passed requiring returns on the second Wednesday of January in each year from savings banks closing their concerns, with a penalty of \$10 for each day's neglect.

In May, 1851, the Board of Bank Commissioners was revived, with nearly the same powers and duties as in the Act of 1838, only they were to visit each savings bank once in two years or oftener, taking as nearly as possible one-half each year, and to examine all new institutions within the first year after they went into operation. Special examinations of any institution were to be made at the instance of any five or more bank officers or creditors, instead of the Governor, as formerly. The Commissioners were to report the conduct and condition of the banks to the Secretary of the Commonwealth, instead of the Governor, annually in December, with special reports on any violations of law committed by any of these corporations, or their directors or officers, of which violations notice was to be transmitted to the Attorney-General for prosecution. No bank was allowed to discount any note or bill of exchange to which a bank commissioner was a party. This law, with some trifling changes, was incorporated into the General Statutes of 1860, and remained in force until 1865, when an act was passed abolishing the Board of Bank Commissioners after January 1, 1866. In April, 1866, the office of Commissioner of Savings Banks was created, with substantially the same powers and duties as the Bank Commissioners in relation to savings banks, except that he was to examine each bank annually. Under the new law the returns from savings banks for the last ten years have been made to this officer. The Legislature has lately provided an additional Commissioner, the labor having become too great for one.

As the operations of the savings banks came to be more extensive, measures began to be adopted to reach, for the purposes

of taxation, the large amounts of property under their control. In 1849 a law was made requiring annual returns to the assessors of any town in which a borrower resided, of any stocks held as collateral security for the debt or liability of each person residing in such town on the 1st of May. The first provision for reaching the deposits was by a law made in 1851, requiring the treasurer of every savings bank, under a penalty of \$50, between the 1st and 10th days of May annually, to make returns to the assessors of every city and town in Massachusetts in which they had reason to suppose any depositor resided, of the names of all depositors having deposits of \$500 and upward, with the respective amounts standing to the credit of each. In April, 1852, another law was passed, requiring the treasurer of any savings bank, upon the written request of any assessor of any city or town in Massachusetts, to inform such assessor of the amount, if any, exceeding \$100 (changed to \$200 in 1866) standing to the credit of any person named in the request, who might be at the time a resident of such city or town. The same act required information to be given on request to the overseers of the poor of any city or town of any deposit belonging to a pauper. These provisions in relation to the taxation of deposits were abolished in 1862, and a State tax of one-half of one per cent. on the deposits substituted. This was increased in 1863 to three-fourths of one per cent., but was in 1865 again reduced to one-half of one per cent. In 1868 the tax was again raised to three-fourths of one per cent., at which it still remains. The average rate of taxation on property generally throughout the Commonwealth is about double this rate.

The year 1854 witnessed the inauguration of a system of five-cents savings banks. Out of twenty-six savings bank charters granted in the two years 1854 and 1855, twenty provided that deposits should be received as small as five cents. To diminish the care in receiving and paying out small deposits, the charters also provided that deposits might be paid to any minor making the same, and that his receipt should be a good discharge to the bank. This reasonable and useful provision in relation to the deposits of minors was in May, 1855, incorporated into the general laws of the State.

The ten years previous to the crisis of 1857 were marked by some important changes in the investments. The amount of public funds declined to \$697,247 in 1855, the lowest point reached from 1841 to the present time. The bank stock at the same date had increased to \$6,366,067; the loans on bank stock, to \$975,315; the deposits in banks on interest, to \$487,468; loans on mortgages of real estate, to \$9,423,135; loans to county or town, to \$2,487,917, and loans on personal security, to \$6,909,846. The amount of bank stock declined somewhat for the next two years, but all the other investments named increased. This crisis, therefore, found the savings banks much stronger than they had been in 1837. The banking system of the State was also in a much sounder condition, so that the savings banks had no occasion to



discontinue their investments in bank stock after the crisis. The only marked change in the investments after 1857 was in the increase of public funds, which in 1861 had reached \$3,111,148. The issues of United States bonds after the beginning of the war, opened a highly remunerative field for investments in this direction, of which the Massachusetts savings banks availed themselves quite freely, their investments in public funds reaching in 1868 a maximum of \$31,987,621, of which \$25,488,011 consisted of United States bonds. The rise in the rates of interest after the beginning of the war enabled the banks to find more remunerative investments than loans on mortgages of real estate, on which they were restricted by the usury laws to 6 per cent. The natural result followed. The usury laws, though designed to enable borrowers to procure money at not more than 6 per cent. interest, tended in reality to hinder them from procuring it at any rate of interest, on one of the best kinds of security that can be offered. The loans on mortgages of real estate declined from \$18,408,749 in 1862, to a minimum of \$15,534,568 in 1865. So palpable a demonstration of the working of the usury laws began to open the eyes of the public on the matter, and in May, 1865, a law was passed making it lawful for one year thereafter to contract for a rate of interest not exceeding  $7\frac{3}{10}$  per cent. for a period of not more than one year. In 1867 the usury laws were repealed altogether, since which time loans on mortgages of real estate have become the most popular of savings bank investments, amounting in 1875 to nearly 60 per cent. of the deposits, against a little more than 25 per cent. in 1865. There can be no reasonable doubt that this increase of loans on real estate, though used in some cases to facilitate speculation and bolster up an inflated valuation, has, on the whole, imparted a healthful stimulus to the material growth of the State.

The following is an abstract of the investments of Massachusetts savings banks at several different periods, omitting the three right-hand figures thus—\$2 = \$2,000:

<i>Investments.</i>	1834.	1836.	1847.	1856.	1865.	1872.	1875.
Public Funds.....	\$2	\$—	\$2,130	\$881	\$22,067	\$21,998	\$17,920
Loans on Public Funds..	—	21	14	—	557	1,680	802
Bank Stock.....	1,192	1,459	1,978	6,337	10,444	16,972	24,750
Loans on Bank Stock....	557	543	143	1,027	260	1,521	1,331
Deposits in Banks on Int.	520	964	140	666	702	1,729	7,794
Railroad Stock.....	—	—	44	110	—	—	—
Railroad Bonds.....	—	—	—	—	—	4,602	8,345
Loans on Railroad Stock.	—	—	300	149	128	545	322
Invested in Real Estate...	—	—	92	151	448	1,968	3,191
Loans on Mort. of R. Est.	387	727	4,132	10,529	15,534	89,684	120,171
Loans to County or Town	269	357	947	2,938	5,616	12,464	14,823
Loans on Personal Sec'ty	283	410	2,053	8,366	6,081	33,329	38,065
Cash on Hand.....	24	30	210	458	656	1,657	2,469
Surplus.....	(not reported until 1867.)				—	3,045	4,592

It has been the policy of the State to limit carefully the investments of savings banks in the capital stock of corporations. In addition to the restrictions contained in the Act of 1834, a law was passed in 1855, limiting investments in the capital stock of

any one corporation to not more than 10 per cent. of the deposits, and not to exceed \$100,000. By an act passed in 1863 they were not to hold more than this amount and proportion, both by way of investment and as security for loans. This last act also allowed the banks to invest in the public funds of the State of New York, the bonds or notes of New England cities, or in first mortgage bonds of any railroad company incorporated by the State, which had paid regular dividends for two years next preceding such investment, or in bonds of any railroad company which is unencumbered by mortgage, or in notes of any citizen of Massachusetts, with a pledge of any of said securities as collateral, or on pledge of the stock of such railroad companies at not over 80 per cent. of the market or 90 per cent. of the par value thereof. On the substitution of the National for State banks, the legislation of the State was so modified as to allow the savings banks to assume the same relation to the former as they had previously sustained to the latter, only they were not allowed to hold by way of investment and as security for loans more than one-quarter instead of half of the capital stock of any bank.

Previous to 1870 the savings banks were allowed to invest their funds in real estate by virtue of a special act. In that year a law was made allowing them to invest not over 10 per cent. of their deposits, and not in any event over \$200,000, in real estate to be used for banking purposes. By the new law recently enacted they may also hold real estate acquired by a foreclosure of a mortgage owned by the corporation, or by sales under the provisions of any such mortgage, or upon judgments for debts due it, or upon settlements to secure such debts. Such real estate must be sold within five years from its acquisition.

But little change has been made in the form of the annual returns since 1846. The General Statutes of 1860 required the banks to state the average annual rate of dividend since the last extra, instead of for the last five years prior to the return. This was changed in 1862 so as to require them to state how often extra dividends were declared, and the average annual per cent. of dividends for the period ending at time of and including the last extra. A much more important addition to the returns was made in 1867, in requiring them to state the number and amount of deposits received; the number and amount of deposits received of and not exceeding \$300 at one time; the number and amount of withdrawals; the number of accounts opened; the number of accounts closed, and the surplus on hand. An act passed in 1874 required the returns to state the rate of interest received on loans, and the total amount of loans bearing each a specified rate of interest. Another act passed in 1875 required them to state the number and amount of the outstanding loans not exceeding \$3,000 each. The new law just enacted makes several important changes in the returns. They are to be made up uniformly to the close of business the last business day of October; must state the number of corporators, amount of deposits and of each item of other

liability; the par value and estimated market value of the public funds (including United States, State, county, city and town bonds), of bank stock and of railroad bonds held by way of investment; the estimated value of real estate, as well as the amount invested therein; the whole amount of interest or profits received or earned, and the rate and amount of each semi-annual dividend, instead of the rate and amount of *ordinary* dividend, for the previous year; the times for dividends fixed by the by-laws, and the number of open accounts instead of the number of depositors. In other respects the returns required by the new law are the same as those previously required. The form of return now prescribed is a great improvement on any previously in use, but is defective in not requiring the banks to make up the returns in the form of a trial balance, as recommended by the Savings Bank Commissioner.

The new savings bank law is in most respects a codification of pre-existing laws on the same subject, but it introduces several modifications of much importance. The trustees are required to meet as often as once in three months, at which meeting it shall be the duty of the trustees to cause to be prepared a statement showing the condition of the corporation as it appears upon its books, in the form of a trial balance of its accounts, and such statement must be posted in a conspicuous place in the banking-room of the corporation, and there remain until the next meeting of said board. Not over 70 instead of 75 per cent. of the deposits may be loaned on first mortgages of real estate in Massachusetts, to an amount not exceeding 60 per cent. of the valuation of such real estate, no such loan to be made except upon a report of a committee of not less than two members of the board of investment of the bank, who shall certify to their estimate of the value of the premises to be mortgaged. Deposits in banks on call are limited to 20 per cent. of the deposits. The limit was fixed by the general statutes of 1860 at 7 per cent., but was raised in 1863 to 12 per cent., at which it has since remained. Loans on personal security are limited to not over one-third instead of one-half of the deposits, and to a period not longer than one year. Each corporation must, at the time of making a semi-annual dividend, reserve from the net profits of the preceding six months not less than one-eighth nor more than one-fourth of one per cent. of the deposits, as a guarantee fund, until the same shall amount to 5 per cent. of the deposits, which fund shall thereafter be maintained and held to meet losses in business. Ordinary dividends are limited to the rate of 5 per cent. per annum. No dividend can be declared without the approval in writing of the Savings Bank Commissioners, unless the net profits of the previous six months over and above the sum to be added to the guarantee fund amounts to at least 2 per cent of the deposits. Once in every three years, when the net profits over and above the guarantee fund and dividends amount to one per cent. of the sums which shall have remained on deposit for one year next preceding, such profits shall be divided among the depositors whose funds shall have remained on deposit

for one year at least, in proportion to the amount of dividends declared on their deposits for the three preceding years. In other respects the new law is substantially the same as the laws previously in force. It takes effect October 1, 1876. In view of the provision made for accumulating a surplus to meet losses, the utility of requiring the savings banks to accumulate a further surplus for an extra dividend once in three years, is questionable. It takes a portion of the interest earned by the deposits of those who may be driven by necessity to withdraw their funds, and adds it to the accumulations of others who are more fortunate. If the provision were necessary to the safety of the savings banks (as it was when they were not required to keep any surplus to protect depositors), no one would have a right to complain; but as the law now provides a guarantee fund for this purpose, the reason for accumulating a surplus for an extra dividend once in three years has ceased to exist.

The rapid multiplication of these institutions within the nine years, 1867-75, during which period 83 charters have been granted and 65 new banks put in operation, has been marked by some unhealthy symptoms. The increase in the rate of ordinary dividends and the tendency to divide their whole net earnings among their depositors every six months, thus reducing their surplus from 3.94 per cent. of their deposits in 1867 to 1.83 per cent. in 1870; 1.77 per cent. in 1871; 1.65 per cent. in 1872, and 1.56 per cent. in 1873, were marks of a feverish competition for deposits.

There has been since 1859 a law forbidding the treasurer of any savings bank to pay dividends until authorized by the trustees or managers, who were required to examine the condition of the institution before declaring a dividend, and to declare only such dividend as had accrued at the time of the examination. This provision does not appear to have been effectual in preventing some banks from declaring a higher dividend than their condition warranted, trustees and managers themselves frequently taking too favorable a view of the situation. To maintain a high rate of dividend, loans have been sometimes granted which approached too near the value of the security, and the depreciation of property (that of real estate amounting to about 20 per cent. or more) within the last three years, has in too many cases prevented the banks from realizing from the sale of mortgaged property the amount loaned thereon, and it is discovered that the high dividends which were supposed to be earned, were in reality derived in part from encroachments upon the principal. The panic and the subsequent experiences have enforced wholesome lessons of conservatism, which have embodied themselves in the new law. The restrictions which it imposes are in the main wholesome, and, with one or two exceptions, their influence may be expected to affect beneficially the management of savings banks in Massachusetts in future years.

The following table exhibits the progress of savings banks in Massachusetts since 1816:

Years.	No. of charters granted.	No. in existence at close of each year.	Years.	No. of charters granted.	No. in existence at close of each year.
1816	..	1	1827	..	2
1817	..	0	1828	..	5
1818	..	1	1829	..	2
1819	..	0	1830	..	0
1820	..	1	1831	..	4
1821-24	..	0	1832	..	1
1825	..	2	1833	..	2
1826	..	1			

Years.	No. of charters granted.	No. of Banks reported in operation.	Amount of Deposits.	Ann'l increase per cent.	No of Depositors.	Average to each account.	Expenses to deposits, per cent.	Dividends reported.	Average rate of dividend.
1834	8	22	\$3,407,773	—	24,256	\$140.09		\$138,576	
1835	3	27	3,921,370	15	27,232	143.99		135,853	
1836	1	28	4,374,578	11½	29,786	146.19		166,422	
1837	2	30	4,781,426	9½	32,564	146.51		295,225	
1838	0	30	4,869,393	2	33,063	147.27		248,039	
1839	0	30	5,608,159	15½	36,686	152.86		216,957	
1840	0	31	5,819,554	3½	37,470	157.98		262,001	
1841	0	30	6,714,182	15½	41,423	162.08		246,868	
1842	1	30	6,900,451	2½	42,587	162.03		282,231	
1843	0	31	6,935,547	½	43,217	160.40		319,339	
1844	0	31	8,261,345	19	49,699	166.23		311,421	
1845	4	33	9,813,288	18½	58,178	168.66		407,403	
1846	5	38	10,680,933	8½	62,893	169.82		345,443	4½
1847	2	39	11,780,813	10	68,312	172.45		742,462	6½
1848	4	41	11,970,448	1½	69,894	171.26		461,774	
1849	1	43	12,111,554	1½	71,629	169.08		384,843	4½
1850	2	45	13,660,024	13	78,823	174.57		470,646	4.64
1851	8	45	15,554,089	14	86,537	179.73		543,470	4.78
1852	2	53	18,401,308	12	97,353	189.01		1,033,236	4.69
1853	6	60	23,370,102	27	117,404	199.05		845,688	4.78
1854	16	73	25,936,858	11	136,654	189.88		999,877	4.04
1855	10	80	27,296,217	4½	148,263	184.10		1,049,435	4.97
1856	0	81	30,373,447	10¾	165,484	184.15		1,123,038	4.19
1857	1	86	33,015,757	8½	177,375	186.13		1,242,383	5.05
1858	0	86	33,914,972	2½	182,655	185.67		1,363,993	5.06
1859	1	86	39,424,419	16	205,409	191.93		1,450,024	5.01
1860	4	89	45,054,236	14½	230,068	195.83		1,663,407	5.05
1861	5	93	44,785,439	8*	225,058	198.99		1,943,532	4.50
1862	0	93	50,403,674	12½	248,900	202.50		1,977,463	4.13
1863	2	95	56,883,828	12½	272,219	208.92		2,087,115	4.90
1864	5	97	62,557,604	10†	291,616	214.52		2,258,495	4.14
1865	3	102	59,936,482	4*	291,488	205.62		2,738,531	4.75
1866	1	102	67,732,264	13	316,853	213.76		2,908,235	5.26
1867	6	108	80,431,583	18½	348,593	230.73		3,514,715	5.42
1868	8	115	94,838,336	18†	383,094	247.55		4,481,264	5†
1869	20	130	112,119,016	18†	341,769	259.67		5,444,719	6†
1870	10	139	135,745,097	21	488,797	277.71		6,725,428	6†
1871	18	160	163,704,077	20½	561,201	291.52		8,103,004	6½
1872	13	172	184,797,313	12½	630,246	293.21		9,622,775	6½
1873	2	175	202,195,343	8½	666,229	303.49		10,807,906	6†
1874	4	179	217,452,120	7½	702,099	309.71		11,782,914	6½
1875	2	180	237,848,963	9†	720,639	330.05		12,816,579	6.15

\* Decrease. † Nearly. ‡ To 1845 this includes all dividends. For 1846 and subsequent years the returns purport to give only the amount and rate of ordinary dividends, but the extras appear in some cases to be included. The returns relating to dividends are incomplete, a few of the banks not giving the amount, and others not giving the rate of dividends paid.

Massachusetts savings banks held in 1874 about one-quarter of all the savings banks deposits in the United States.

The whole number of charters granted to the close of 1875 has been 202, or 22 more than were in operation at the date of the last annual report in October last. The difference is chiefly made up of institutions which never organized. A few have discontinued business and four have failed, though the two which have failed within the past year, the Lancaster and West Boston Savings Banks, are included among the 180 in operation, their insolvency not having become known at that time. The losses by savings bank failures in Massachusetts have been small. The exact amount is not reported, but from facts that are known it is safe to estimate the total loss for the sixty years previous to the last two failures at less than \$50,000, and \$500,000 will in all probability more than cover all losses from such sources to date, including losses of dividends.

---

## THE LIABILITY OF ACCOMMODATION INDORSERS.

BY GEORGE E. KING, ATTORNEY AND COUNSELOR AT LAW.

There are two kinds of promissory notes, which we propose to notice in this article, each being indorsed by a party who receives no value for his indorsement. The first is indorsed by the payee of the note; the second, by one who is not a payee. The evidence, under the laws of New York, necessary to fix the liability of such an indorser upon the first note, is entirely different from that which will render liable the indorser upon the second. The laws of New York differ in this respect from the laws of several other States of our Union. It is often important to business men to know the circumstances under which it will be safe for them to receive a note, indorsed by a party who receives no value for his indorsement. It is not important in New York that an indorser upon the first note mentioned, should know the agreement between the maker and the party who parts with value to him for the note; but it is absolutely necessary that such indorser upon the second note should know such agreement.

The case of *Hoge vs. Lansing*, reported in the 35 N. Y., page 136, enunciates very plainly the principles which will render an indorser liable upon the first note. In that case, a note for \$1,693.84 was made by the defendant to the order of Acker & Harris, and delivered by him to that firm without consideration for their accommodation. He received no value or security for the note, and Acker & Harris agreed with him to pay it when it became due. The plaintiffs knew none of these facts, but received the note from Acker & Harris in good faith without notice and before maturity, and gave full value for it. They received it as a business note in the ordinary course of business, knowing nothing

more than the note itself disclosed, *i. e.* that it was made by Lansing, payable to the order of Acker & Harris and indorsed by them. It will be noticed that the defendant was *maker* of the note without value, not indorser; but it will be seen that that circumstance makes no difference; the principles are the same whether he be a maker or indorser. The principles that will render a maker liable under such circumstances, will make an indorser liable also. The Court of Appeals in this case use the following language: "It has been repeatedly decided that the *bona fide* holder of a bill or note, taking the same with no other knowledge than the paper furnishes, has the right in all cases, to treat the parties thereto as liable to him in the same manner and order, and to the same extent as they appear on the instrument. As to him, all the parties stand liable as they appear on the paper, and any knowledge acquired by him at a subsequent period has no effect."

In other words, where the parties to a promissory note, the maker and indorsers, appear upon it in the natural order, it is to be treated as ordinary business paper. In such a case it is best for a party who receives it to make no inquiries in reference to the circumstances under which it was made, or under which the party who passes it to him received it. If he is satisfied as to the responsibility of the parties, he should receive it without further inquiry, taking care of course to receive it before maturity and to protest it at the proper time. Any knowledge that he may obtain subsequent to the period when he received the note, will have no effect, *i. e.* will not be material in fixing the liability of the maker or indorser.

For the sake of illustration we may suppose a case of this kind: A desires to purchase goods of C. C informs him that he will take a note indorsed by B. A procures a note in the following form:

"NEW YORK, Feb. 23, 1876.

"Thirty days after date I promise to pay to the order of B one thousand dollars. Value received."

This note is signed by A and indorsed by B without consideration. In that condition it is delivered by A to C for the goods. C has no knowledge of the circumstances under which B indorsed it. For aught that he knows B received value for his indorsement. He makes no inquiries, but delivers the goods to A. Under such circumstances B would be liable for the payment of the note. It is received by C as ordinary business paper. The parties appear upon it in their natural order.

But let us suppose another case, that the note was drawn payable to the order of C, as follows:

"NEW YORK, Feb. 23, 1876.

"Thirty days after date I promise to pay to the order of C, one thousand dollars, value received."

This note is signed by A, who procures B to indorse it, and then delivers it so indorsed to C for goods. The parties to this

note are not in their natural order. C should be the first indorser, and he is so considered in law, but he is the second indorser in order of time.

In this case, B cannot be held in this State, unless it is understood between him and C, that C relies upon his indorsement in selling the goods. In most of the States, B's liability is that of either joint maker or guarantor; in most of the New England States it is that of a guarantor, but in New York his liability is that of an indorser only, and he is entitled to notice of protest as an indorser. This makes it more difficult to hold an indorser in New York upon the second class of notes than upon the first class. It is sometimes difficult to prove such an understanding between the indorser and the payee, as I have indicated above.

The case of *Hull vs. Marvin*, reported in 2 N. Y., Sup. 420, is an illustration. That was a suit upon a note in the following form:

"\$325.

"Fifteen months after date, for value received, we promise to pay to David H. Hull or order at First National Bank, Syracuse, N. Y., the sum of three hundred and twenty-five dollars with interest.

"Indorsed.

"DOYLE & ASHFIELD.

"D. H. HULL, Syracuse, N. Y.

"GEO. L. MARVIN, Buffalo, N. Y."

Marvin's indorsement was procured before the note was delivered to Hull, and, of course, before it was indorsed by him. At the time Marvin indorsed, he knew nothing of the agreement between Hull and the makers. It was held that, as Marvin was not privy to the transaction, and did not pledge himself to Hull, the plaintiff, the latter could not recover from him.

The case of *Bacon vs. Burnham*, reported in 37 N. Y., page 614, was a similar case. It was brought upon a note made by Lewis Dunham to the order of T. H. Sweezey, and was indorsed by Burnham prior to being indorsed by Sweezey. The Court use the following language: "It must be supposed in the absence of any proof to the contrary, that perceiving the name of the payee in the note, he (Burnham) indorsed it on the presumption that the name of such payee, to whose order it was made payable, would also, at some time, appear upon the note; for only thus would it become negotiable. When the defendant placed his name upon the note, he did so as a *second indorser*, with all the rights and responsibilities which attached and belonged to him in that character, and that assumed that he had or would have a responsible party before him. The locality of the names was immaterial; and whether the name of Sweezey should appear above or below his own, or before or after his in point of time, would not change in any respect his position as second indorser." The plaintiff in this case obtained the note from one Kingsley, who obtained it from Sweezey. The plaintiff failed to recover. The Court used these further words: "Where a prior indorser cannot maintain an action



against a subsequent indorser, no person deriving title under the prior indorser, with knowledge of the facts, can recover against such subsequent indorser." In other words, the disability of the payee of such a note, which prevents him from recovering against the indorser whose indorsement was on the paper when he received it, rests also upon all parties deriving title under him with knowledge of the facts.

The case of *Moore vs. Cross*, 19 N. Y., 227, is the leading case in New York. In that case one McGervey desired to purchase coal of Moore. The latter agreed to sell to him, if he would give his note, indorsed by Cross. This was done, the note being made payable to Moore's order. The Court say that an indorser "cannot maintain an action against any of the parties whose indorsements are subsequent to the first appearance of his name. The legal reason is that each of those persons, on paying to him the note, would have an immediate right to demand payment from him on his earlier indorsement. The law, to avoid this circuity, denies an action to a party thus situated." Further on, the Court use this language in reference to the plaintiff: "Having brought his action as holder, and producing the paper indorsed in blank, he has *prima facie* made out a title as such; and to rebut the inference arising on the face of the paper, that a recovery by him against Cross would only lead to a new recovery by Cross against him, he shows that the defense of circuity is not available against him, inasmuch as Cross could have, *by the original agreement of the parties*, no recovery against him."

The substance of this reasoning is that a payee, who in point of time indorses *after* another indorser, is to be considered the *first* indorser. That a first indorser cannot, as a general rule, recover from a second or subsequent indorser; but an exception is made when there is an understanding on the part of such second or subsequent indorser, that the first indorser relies upon his indorsement in receiving the note.

The case of *Meyer vs. Hibscher*, 47 N. Y., 265, is also in point, and states the rule very clearly. That was a suit upon the following note:

"\$500.

"CHEEKTOWAGA, January 28, 1868.

"Three months after date we promise to pay to the order of George Meyer, \$500, value received, payable at Cheektowaga.

"GEORGE WANDER,

"Indorsed,

"GEORGE H. HANCH.

"GEORGE HIBSCHER,

"JOSEPH DURINGER."

It was proved that Wander and Hanch applied to Meyer for a loan of \$500, and agreed with him to give their note and get the indorsement of Hibscher and Durringer for security; that the makers told Hibscher, when they applied to him for his indorsement, that Meyer was going to loan them the money on such indorsement. The Court use this language: "It appears that the

note in suit was given for a loan of money made by the respondent (Meyer) to the makers of the note; that it was made a prerequisite of the loan that they should make the note, and that the appellant (Hibscher) should indorse it; that the appellant knew of these facts and with knowledge of them assented and indorsed the note to enable the makers to obtain the loan, and to secure the respondent that it should be repaid. The appellant indorsed the note, not only for the accommodation of the makers, but for the express purpose of furnishing security to the respondent for the loan of money. He did this with the knowledge that, though the note was upon its face payable to the order of the respondent, and the respondent must, to negotiate it, become the first indorser of it, yet that he was to lend the amount of money named in it, as a loan upon the strength of it, and was to become the actual owner, payee and holder of it. He was privy to the whole transaction, and knew that the apparent relations of the parties were not the actual ones."

It is apparent from this that it is very important to any party, who is about to receive a note payable to his own order and indorsed by a third party, that he should go to such indorser, either with or without witnesses, and obtain an admission from him, that he knows that his indorsement is a prerequisite to the loan or sale about to be made, that the payee relies upon his indorsement in making such loan or sale. He must be informed of the transaction, and assent to it at the time of the indorsement by him, or before the payee receives the note or parts with value for it. It is safer that the interview should take place between the payee or his friends and the indorser; otherwise, in the event of a trial, the payee will have to depend upon the maker for evidence, and the latter may be hostile to him.

In Connecticut the holding upon notes of this kind is entirely different, as appears in the case of *Greathead vs. Walton*, 40 Conn., 226. In that case, the defendant was held as a *guarantor*, not an indorser. The same holding has been made in Maine (*Forsyth vs. Day*, 46 Maine, 176), and the same rule prevails generally in the New England States, as already stated, and also, we believe, in Ohio and the majority of the Western States.

The rule is different, however, in the case of a non-negotiable note, as appears in the case of *Richards vs. Warring*, 1 Keyes, 580. The note in that case was payable to the plaintiff, and was indorsed by the defendant before it was delivered to plaintiff. It was there held that the defendant was not an indorser, but a joint promisor with the makers.

---

NATIONAL BANKS AS FOREIGN CORPORATIONS.—In the suit of the National Park Bank *vs.* Charles A. Gunst, Judge Monell, in Supreme Court, Special Term, decided, on May 2, that the bank, when it brings suit in New York courts, must give security for costs as a foreign corporation, as it derives its existence from the United States, and not from the laws of New York.

## CONCERNING "NO PROTEST" COLLECTIONS.

Is there a reformation needed among banks in the present methods of conducting the collection business? Our experience is, that through the system of selling goods by runners, a large number of drafts are made which are sent out from the home establishments to interior banks, marked "NO PROTEST." From various causes, fully one-half of such ventures are returned unpaid. The bank furnishes a messenger, who is often sent to remote parts of the city, only to discover that "the time is wrong," or "the amount is wrong," or "we don't pay drafts," or "goods not arrived." And, perhaps, the good taste of the messenger is shocked by messages not entirely complimentary to a drunken runner or to the house that employs him.

For the service of entering, hunting up, presenting, and returning unpaid this class of matter, the banks receive nothing. They are minus the postage and a blank stating reasons. A considerable part of this stuff comes from second-class concerns, who are not selected by banks as desirable correspondents. We are referring to the collections from private houses. More especially is this nuisance felt by those institutions who bear the title "First National," and many firms have printed blanks and envelopes addressed to this class of banks entirely.

It is the opinion of the writer that it is a proper charge to claim as much as twenty-five cents on all such cases. The collection rate would be as much as this, and it is submitted that to give a party a decent reply, with a reason annexed why a draft is *not* paid, is worth at least a quarter. For in many cities the item of exchange is of no account. It is as much trouble *not* to remit and to do *that* well, as it is to send a New York check.

WILLIAM E. GOULD,

*Cashier First National Bank, Portland, Me.*

APRIL, 1876.

[While collections are generally desirable as a means of working off surplus exchange, and as an adjunct to the increase of local business, they become in such cases as are described above an unmitigated nuisance. The evil growed at is a growing one, and ought to be checked by some uniform action on the part of all bankers who are subjected to it. A printed circular should be sent to every such "correspondent," announcing that no attention would be paid to this class of collections, unless accompanied by a sum sufficient to cover the expense and labor incurred. For this the amount named is little enough.—ED. B. M.]

## USURY PENALTIES UNDER THE NATIONAL BANK ACT.

### HAVE STATE COURTS THE RIGHT TO ENFORCE THEM?

*In the Baltimore City Court.—Ordway vs. The Central National Bank of Baltimore.*

IN this suit, which was brought in July, 1874, the plaintiff seeks to recover, under the laws of Congress, double the amount of interest charged by the defendant, on certain loans made to the plaintiff.

The decision of the Court, by Judge George W. Brown, is made upon a point which is of considerable importance to National banks. It is to the effect that State courts have no right to enforce penalties prescribed by act of the Congress of the United States.

The Court first considered a suggestion, filed by the counsel of the defendant, that, the defendant having been legally dissolved by its own voluntary act, in pursuance of the act of Congress of 1864, ch. 106, § 42, this suit, being an action at law, must, therefore, abate, and be discontinued. After overruling this suggestion, the opinion of the Court is as follows:—

But a demurrer to the declaration has also been filed, under which three principal questions have been presented:

First. Is this a suit for penalty under the law of the United States?

Second. Did the act of Congress intend to give the State courts jurisdiction of such cases?

Third. If it did, was the provision constitutional?

First. I have no doubt that this is a suit for a penalty.

It is brought under the thirtieth section, which provides that "the knowingly taking, receiving, reserving or charging a rate of interest greater than aforesaid, shall be held and adjudged a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon; and in case a greater rate of interest has been paid, the person or persons paying the same, or their legal representatives, may recover back, in any action of debt, twice the amount of interest thus paid from the association taking or receiving the same." The excessive interest must not only have been taken, but must have been knowingly taken, and the consequence of such taking is declared to be that the excessive interest is forfeited, and that the borrower can recover from the association taking it, double the amount of the interest paid in an action of debt. When the notes fell due on which the interest in these cases was exacted, the plaintiff could have refused to pay them to the defendant unless the excessive interest was abated, and the defendant could only have recovered the amounts of the notes, less the excessive interest. This point has recently been decided by the Supreme Court of the United States in the unreported case of the *Farmers and Mechanics' National Bank of Buffalo vs. Dearing*. But, in addition to this forfeiture of the excessive interest to be paid, which the plaintiff failed to exact, he is entitled to recover double the amount of the interest paid in an action of debt for which he now sues. This is certainly more than a compensation to the plaintiff; it is a punishment or penalty imposed on the defendant for the violation of the law. An action of debt is the usual mode of enforcing such penalties, and it was undoubtedly competent for Congress to provide, as it has done, that the amount should be recovered by the borrower or his legal representatives. The case above referred to expressly declares that the "said thirtieth section is remedial as well as penal," and this, I think, established the penal character of this suit, and that the claim is for a penalty.

Second. Did the act intend to give this Court jurisdiction of the case?

The 57th section of the act provides "that all suits, actions and proceedings, against any association under this act, may be had in any Circuit, District, or Territorial Court of the United States, held within the district in which such association may be established, or in any State, County or Municipal Court in the county or city in which said association is located, having jurisdiction in similar cases." The language is so broad and comprehensive that its meaning cannot well be doubted. It declares that all suits, actions and proceedings against any association under this act may be had in any State court in which the association is located, having jurisdiction in similar cases." This is an action of debt for a penalty, and in similar cases this Court has jurisdiction, and therefore it necessarily follows that the act intended to give jurisdiction in this particular case. It is true that the judiciary act of 1789, section 10, first statutes at large, page 77, declares that the District Courts of the United States have exclusive original cognizance of all suits for penalties and forfeitures incurred under the laws of the United States, and that the same provision has been re-enacted in the Revised Statutes, page 134, but it is also true that various acts of Congress, since 1789, have in terms professed to give jurisdiction to State courts over actions brought to recover certain specified penalties, and therefore it cannot be successfully contended that the policy of Congress not to confer on State Courts jurisdiction over penalties is so clearly established that the 57th section of the act of 1864 must be construed as not being intended to do so, although by the plain meaning of the language used such jurisdiction is conferred. Moreover, as the said section confers on the State courts and on the United States courts precisely the same jurisdiction, it follows that if the act did not intend to confer on the State courts jurisdiction over cases for penalties, neither did it intend to confer such jurisdiction on the United States courts, and the result would be that it did not intend to confer jurisdiction in the matter on any court. This is a conclusion which the Court cannot adopt.

Third. But the important question still remains, whether it is possible for an act of Congress to confer jurisdiction on a State court over penalties for violation of a law of the United States.

The Constitution of the United States declares (article III., section 1), that "the judicial power of the United States shall be vested in one Supreme Court and in such inferior courts as Congress may from time to time order and establish;" and that—

Section 2. "The judicial power shall extend to all cases in law and equity arising under this Constitution, the laws of the United States and treaties made, or which shall be made under their authority."

It declares (article VI.) that the Constitution, and the laws of the United States which shall be made in pursuance thereof, "shall be the supreme law of the land, and the judges in every State shall be bound thereby." But it nowhere declares that Congress can confer jurisdiction on the State courts. In *Houston vs. Moore* (3 Wheat., 25), it is declared that "Congress cannot confer jurisdiction upon any courts but such as exist under the Constitution and laws of the United States, although the State courts may exercise jurisdiction in cases authorized by the laws of the State, and not prohibited by the exclusive jurisdiction of the Federal courts."

Many rights arising under the laws of the United States can be enforced in the State courts, just as many rights arising under the laws of the States can be enforced in the courts of the United States, but in all cases the courts respectively derive their jurisdiction from the authority which created them.

The doctrine is not questioned that the criminal jurisdiction under the laws of the United States belongs exclusively to the courts of the United States. "No part of the criminal jurisdiction of the United States," says Chancellor Kent in his *Commentaries*, vol. 1, page 397, "can, consistently with the Constitution, be delegated to State tribunals." It has been suggested as a reason for this rule, that "every criminal prosecution must charge the offense to have been committed against the sovereign whose courts sit in judgment upon the offender, and whose executive may pardon him." 1 Kent's Com., 397.

But if the State court had jurisdiction of such a case, there could be no

difficulty in the indictment charging the offense to have been committed against the United States, and in case of conviction the President would have his Constitutional right to pardon. The real reason why a State court can have no jurisdiction of a crime against the United States, and why a United States court can have no jurisdiction of a crime against a State, is that the crime is committed only against the Government whose law is violated, and because, in reference to crimes and offenses committed against the States, respectively, or the General Government, they are independent of each other. The same objection which applies to the punishment by State courts of crimes against the United States, extends to the recovery of penalties imposed by the laws of the United States by suits in the State courts. These penalties are punishments for offenses committed, not against the State but against the United States. They are penal, although they are recovered in a civil action.

And this is a doctrine which is sustained by a great preponderance of authority. I quote from Story's *Commentaries on the Constitution*, vol. 3, sec. 1,750. He says: "In regard to jurisdiction over crimes committed against the authority of the United States, it has been held that no part of this jurisdiction can consistently with the Constitution be delegated to State tribunals. It is true that Congress has in various acts conferred the right to prosecute for offenses, penalties, and forfeitures in the State courts. But the latter have in many instances declined the jurisdiction, and asserted its unconstitutionality, and certainly there is at the present time a decided preponderance of judicial authority in the State courts against the authority of Congress to confer the power." The authorities which he quotes fully sustain this position. It is also supported by the more recent authorities. See cases cited in *Jordan vs. Downey*, 40 Md., 410.

In the case of *The First National Bank of Plymouth vs. Price*, 33 Maryland, page 487, the Court of Appeals refused to enforce a penalty imposed by the laws of Pennsylvania on the directors of a coal company, a corporation created under the laws of the State of Pennsylvania, on the principle that "it is well settled that no State will enforce penalties imposed by the laws of other States; such laws are universally considered as having no extra territorial operation or effect."

It is true that the laws of the United States, which are operative over the whole Union, cannot be considered as extra territorial in any part, but while in our complex system of government there are two sovereignties, each exercising different powers within the territory of each State, the rights of the different sovereigns in their respective spheres are as separate and distinct as if they occupied separate territories. Each sovereignty has its own code of crimes and offenses. The law of the State of Maryland, 1st code, article XCIX., sec. 9, provides "that any person guilty of usury shall forfeit all the excess above the real sum or value of the goods and chattels actually lent or advanced, and the legal interest on such sum or value, which forfeiture shall inure to the benefit of any defendant who shall plead usury and prove the same." This is the forfeiture and the only forfeiture which this Court is authorized by the statute law of the State to enforce. The common-law right of a borrower to recover back in an action for money had and received the usurious interest he has paid, still remains, but has been very materially limited by an act of Assembly, which will go into effect on the 1st of June next. The law of Maryland does not apply to this defendant, which is a creature of the General Government, and which is subject to the penalty for usury which Congress has thought proper to impose, but this Court cannot inflict a forfeiture different from that which the power that created it has chosen to prescribe. In the case above cited, of *The Farmers and Mechanics' Bank of Buffalo vs. Dearing*, which originated in a State court of New York, and was finally decided by the Supreme Court of the United States, and was a suit to recover the amount of a note from which illegal interest had been discounted in advance, it was held that the New York court should have deducted the interest unlawfully taken and have given judgment for the residue; and it has been insisted in argument that such deduction was in fact enforcing by a State court a forfeiture imposed by a law of the United States; but the answer to this position is that the deduction was not the enforcement of a penalty, but simply with-

holding an amount illegally claimed under a contract. The statute did not make the contract wholly void, but only the part of the contract which was for usurious interest. The Court says: "Where a statute prescribes a rate of interest, and simply forbids the taking of more, and more is contracted for, the contract is good for what might be lawfully taken, and void only as to the excess."

The case of *The Chesapeake Bank vs. The First National Bank of Baltimore*, garnishee, 40th Maryland, page 269, has been relied on as conclusive to show that this Court has jurisdiction in the present case; but I understand that case as deciding only that the act of Congress of 1873, which declares that no attachment, injunction, or execution shall be issued against a National banking association or its property, before final judgment in any suit, action, or proceeding in any State court, is valid, on the ground that Congress has the right to provide in what tribunals these banks shall be sued, and to what suits or actions they shall be subjected, because it is the sole judge what provisions tend to promote the efficiency of these banks in performing the functions by which they were designed to serve the Government. But to admit the right of Congress to prohibit certain legal proceedings from being instituted against these banks in the State courts, does not concede the right of Congress to impose on State courts the duty or to give them the power to enforce penalties imposed on those banks for violations of the laws of the United States. The two propositions have no logical connection with each other.

After a careful investigation, I have arrived at the following conclusions:

First. That the suit in this case is to enforce a penalty under an act of Congress.

Second. That it was the intention of the act to give this Court jurisdiction in such a case.

Third. But that the act is unconstitutional in this respect.

It is insisted that the declaration is defective in some other respects, but as these defects, if they do exist, could be amended, and as the question of jurisdiction is conclusive of the case, it is not necessary to consider them. The demurrer is sustained.

A NEW DUTCH MONETARY LAW.—The Hague correspondent of the *Independence Belge* states that M. Van Der Heim, the Finance Minister, has just laid before the Council of State a project of law promoting the introduction of a single gold standard. The correspondent gives no details, but these details, and the debates upon them, cannot but be of the greatest interest, looking at the state in which the matter was left by the temporary measures of last session, under which the coinage of new standard gold pieces was authorized, while that of silver was suspended. Such measures could only be temporary, and now the Dutch Government is face to face with the question of what is to be done with the demonetized silver, a question which has obviously become more complicated since last year by the farther fall of silver. At what equation is gold to be substituted for silver? and can a much lower equation for silver than was customary, until within the last year or two, be established without injustice? As our readers know, the Dutch are in a special difficulty because they have to deal with the coinage of their Eastern possessions, which is the same as their home coinage. The correspondent from whom we quote the above statement, adds that enormous quantities of silver are arriving from India, and each week brings drafts for considerable amounts. It is also stated that the mint at Utrecht, between June and December last, has struck forty-one million florins' worth of ten florin pieces in gold (about  $3\frac{1}{2}$  millions sterling), and yet gold is not seen in circulation; from which the inference is that Holland will require a good deal more gold, and the question will arise, whence is it to be obtained?

The Dutch Finance Minister's explanation on all these points will, no doubt, be very interesting. The reflux of Dutch silver from the East, in consequence of the apprehended changes in Holland, appears to be very curious, and would, of course, be a contributory cause to the weakness of the Indian exchanges generally, and the associated low price of silver.—*London Economist*.

## BOOK NOTICES.

*The Statesman's Year Book.* By FREDERICK MARTIN. London: MacMillan & Co. 1876.

This well-known statistical work has reached its thirteenth year, and the volume before us fully sustains the high reputation of those which have gone before it. Among the new features of the present issue we observe an interesting table of the coal production in the principal countries of the world. It is shown that Great Britain and Ireland produce 125 million tons of coal a year, while the United States produce 45 million tons; Germany, 45 millions; France, 16 millions; Belgium, 14 millions; Austria, 11 millions; Russia, 1,347,425 tons; Spain, 718,504 tons; Italy, 95,954 tons; Sweden, 57,960 tons, and the Netherlands, 46,510 tons. Some of his readers will regret that Mr. Martin did not complete his statistics by giving the relative area of the coal fields of the world. It will be remembered that the question of the coal supply caused a few years ago a lively discussion in England. It was started, if we are not mistaken, by a statement of Professor Jevons, that the production of coal was so large and so rapidly increasing that at a period not very distant it would exhaust the chief sources of the supremacy of England. Among the collateral results of this discussion, it will be remembered that one of the most noteworthy was to give a stimulus to the movements for paying off the British National debt. In a future volume Mr. Martin will, perhaps, be able to complete the statistics on this important subject. Another characteristic feature of this valuable book is its survey of the foreign trade of Great Britain. From the elaborate tables we find that the United States are no longer at the head of the foreign commerce lists as a market for British products of British industry. The *London Times* remarks that "the United States is, in fact, becoming a bad customer to us for almost everything we have to sell." The *Daily News* acknowledges that the English manufacturers are in a struggling condition, but maintains that, competing with the world, they are not worse off than those of other nations.

Those persons who are interested in the late changes of the prospect of the Suez Canal will find in the *Statesman's Year Book* some trustworthy statistics as to the past history and present position of this enterprise. There is no other work of reference in the English language in which so large an amount of statistical information is given of the financial and political position of the various countries of the world, with their various changes from year to year. The accuracy with which for the most part the compilation has been made will excite the admiration of those persons who have ever been engaged in statistical labors, in which a multitude of facts have to be compiled from con-



flicting and contradictory authorities. On a minute examination of the book, we have found scarcely any errors worth notice. The most important mistake we have observed is found on page 578, where it is stated that the act passed by the United States Congress and approved by the President June 22, 1874, "sanctioned the increase of the legal-tender circulation from 356 millions to 382 millions, and abolished the distinction between greenbacks and National bank-notes." Both of these statements convey a wrong impression to the reader. By the first he would be led to believe that the act in question was intended to increase the legal-tender issues so that from 356 millions in June, 1874, they would rise to 382 millions in subsequent months. In point of fact the increase had been previously made by the Secretary of the Treasury soon after the panic of 1873, under the supposed authority of the legal-tender laws of 1862 and 1863, and the Act of 1874 was intended by Congress to fix the aggregate at its then maximum, and to prevent any further increase of the greenback issues on any pretense whatsoever. As to the statement that "the distinction is abolished between greenbacks and National bank-notes," this is wholly incorrect. The greenback is a note which makes the holder a creditor of the Government, while the bank-note makes him a creditor of one of the 2,000 National banks.

*The Wages Question. A Treatise on Wages and the Wages Class.* By FRANCIS A. WALKER. New York: Henry Holt & Co. 1876.

To a large number of readers this able and suggestive work will be extremely useful at the present time. A discussion has been raised as to whether Adam Smith or Quesnay has the best claim to be regarded as the founder of modern political economy. M. Chevalier favors the claims of his countryman, Quesnay, but posterity will decide, we think, in favor of Smith. If there were no other reason for this opinion, it would be sufficient to compare the two systems. We should then be able to ascertain with precision whose system it is which has survived to our day. Adam Smith, so far from borrowing Quesnay's fundamental doctrines, is often quoted as their chief and earliest opponent. Quesnay's leading doctrines were two: he held first, that commerce should be free, and secondly, that labor applied to land is the sole source of wealth. As to the first of these doctrines, it does not belong exclusively to Quesnay, but it was taught more perfectly than he understood it by Sir Dudley North in 1691 in England, and by Sir William Petty, though not so clearly, in 1667. Sir Josiah Child in 1668, and Thomas Mun in 1664, with many other writers, expounded with more or less distinctness the doctrines of free commerce during the century previous to Quesnay's publication of his system. It is true that these writers were all Englishmen, and that their works were not much known on the Continent of Europe. Their views were adopted by Quesnay and familiarized to the French mind, and this is almost all the honor which history will accord to Quesnay in regard to this first part of his system. As to the second principle of that system, namely, that labor applied to land is the only source of wealth, Quesnay has more claim to originality, although Mr. Asgill in 1696, and other English writers of earlier date, held similar views and taught them. Still no economic writer prior to Quesnay expounded and

analyzed the doctrine very thoroughly. According to this writer, a man who labors on the soil and cultivates it so as to make it yield its annual product, is exercising productive labor, but if he works at anything else he is an unproductive laborer. This, says Adam Smith, was the capital error of Quesnay's system. It represented the class of artificers, manufacturers and merchants as altogether barren and unproductive. Of these opinions, Smith proceeds in the ninth chapter of his fourth book to give an elaborate and triumphant refutation. A facetious writer has summed up Quesnay's claims by saying that he not only failed to give to the world a durable system of economic truth of prior date to that of Adam Smith and substantially identical with it, but that all that was new in Quesnay's system was unsound, and all that was sound was not new. In looking at Adam Smith's economic system we find it built up like Quesnay's on the twofold foundation of a doctrine of free-trade and a doctrine of labor as the source of wealth. In expounding the former, Smith developed the principles of free commerce as taught by previous British writers, and his views are well known in consequence of their having been more amply and vehemently discussed during the last half century than ever before. The other principle, that of labor and its connection with the growth of wealth, has also attracted considerable attention, although till of late years it was almost wholly neglected. It is a hopeful sign of the times that recent works on economic science give great prominence to this subject, and a number of our best economic writers here and in England are giving themselves almost exclusively to its study. Adam Smith was the first economist who distinctly taught, in opposition to Quesnay and his school, that labor is productive whenever it is employed to multiply commodities which men desire and are willing to buy. Whether the labor producing such commodities be spent in cultivating the soil, or organized in a pin factory, or employed in a blacksmith's shop, is of no consequence. The great requisite according to Smith is, that the labor should produce some commodity and put it where men are willing to buy it at a price remunerative to the seller. Substantially this doctrine is held now by all our leading economists as Smith held it. The book before us is devoted to an exposition of Smith's doctrine of labor, and it is one of the best treatises which have recently appeared on the subject. Professor Walker is well known in this country and abroad. His *Statistical Atlas of the United States* is one of the most original and suggestive contributions which the literature of economic science has received during the present century. Professor Walker's lectures at Yale are reported to have been extremely popular, and as this book contains that part of the course which treats of the labor question, it has been looked for with considerable interest. Mr. Walker divides the subject into two sections, the first treating of production and population, and the second of distribution. In the former he conducts his reader step by step through an elaborate series of arguments, to the conclusion that the famous wage-fund theory, about which some English writers have wasted so much ingenuity, is untrue. In the other half of the volume conclusive arguments are built and massed together to show that strikes do not promote the interests either of the laborer or of the community in the long run. Of the various chapters in this work, those treating of the failure of emigration, the small success of co-operation, women's wages, and the effect of trades unions, will probably command the most notice, though they are by no means the most completely elaborated.

## BANKING AND FINANCIAL ITEMS.

"A CENTURY OF FINANCE IN THE UNITED STATES."—The concluding articles of this series are unavoidably deferred until our July and August numbers.

**THE NATIONAL BANKS.**—The list published last month, giving the number of the different classes of banks and of bankers in each State, included nineteen National banks which, within the past year, have gone into liquidation. These should properly be deducted, leaving the number of National banks as 2,099.

The names of the banks include no less than 753 styled "First National," being more than one-third of the whole. There are 69 "Second" and 22 "Third" National. Among other titles are the following: Central, 9; Citizens', 36; City, 15; Commercial, 25; Farmers', 23; Mechanics', 14; Merchants', 38; People's, 20.

**BANK STOCKHOLDERS IN CONGRESS.**—A resolution of the House of Representatives in January last, directed the Comptroller of the Currency to furnish to the House a list of the stockholders in National banks, in order that it might be sure whom of its members were among them. Had that question been asked it could have been easily answered, without the labor and expense of so clumsy an expedient. The Comptroller has furnished 8,000 sheets, four feet long, containing 210,000 names, and when printed the document will make three volumes of 850 pages each. The papers weigh over 200 pounds. The work has required seven men on the matter all the time, and thirty-six extra men for over a month.

**THE NEW YORK STOCK EXCHANGE.**—The annual election of the Stock Exchange was held on May 8, resulting as follows:—President, Salem T. Russell; Chairman, M. A. Wheelock; Vice-Chairman, James Mitchell; Treasurer, D. C. Hays; Secretary, B. O. White; Trustee of Gratuity Fund, William Alexander Smith; Governing Committee (to serve four years), George W. McLean, Robt. Winthrop, W. B. Dickerman, H. H. Hollister, W. Lummis, W. Seymour, Jr., Frederick White, C. H. Leland, Henry Meigs, W. Alexander Smith; (to serve one year), H. E. Dodge and G. L. Haight.

**BANK SUSPENSION.**—The Loaner's Bank, of this city, located at No. 22 Nassau street, closed its doors on May 3, and passed into the hands of a receiver. This institution was organized some five years since, with a capital of \$500,000, of which \$200,000 was paid in. Its charter gave it extraordinary privileges, enabling it to charge 2 per cent. a month, and to lend upon the pledge of personal property of all sorts. It was not a member of the Clearing-House, and transacted but little regular banking business. Its troubles arose from dissensions in the management, some of the Directors desiring to commit the bank to the advancement of their own private interests. To this the President, Mr. Dow Russell, objected, and with the aid of a creditor, succeeded in effecting the appointment of a receiver. Efforts have been making to re-organize the bank, thus far without success.

**THE NEGOTIABILITY OF STOCK CERTIFICATES.**—In Supreme Court Circuit, Judge Donohue, on May 16, directed a verdict in favor of the Sixth National Bank against the Chicago and Alton Railroad Co., for \$10,613, on account of the refusal of the Company to recognize, as valid, a certificate for \$10,000 of preferred stock in the road, on which the bank had made a loan which was not paid. The plea of the Company was that the certificate, while in blank (in which condition it came to the bank), had been lost, and the holder who pledged it to the bank had no title.

**THE RIGHT OF SET-OFF.**—In the same court, on May 5, the suit of Angell, receiver of Levison *vs.* The Citizen's National Bank, was tried. Judge Monell decides that a note discounted by a bank, before the appointment of a receiver, of a depositor's property, but not due till afterward, cannot be set off against the receiver's claim for the money on deposit, even when the deposit is in part the proceeds of the discount.

**CALIFORNIA.**—The Pacific Bank, of San Francisco, has increased its capital stock to one million dollars, paid up in gold coin.

**GEORGIA.**—A new banking house has been formed at Rome, under the style of Hargrove, Hardy & Williams. The members are Messrs. R. T. Hargrove, S. G. Hardy, and E. A. Williams. Major Hargrove, an old citizen and well-known banker, was one of the firm of Allgood & Hargrove, now dissolved. Capt. J. S. Panchen is to be their cashier. New York correspondent, the National Park Bank. The card of the new firm, at the end of this number, offers prompt attention to the business of correspondents.

**Atlanta.**—The State Savings Bank is a new institution, which has begun business at Atlanta, under a State charter. Its capital is \$100,000, of which \$50,000 has been paid in. The president is Dr. G. W. Handy, and the cashier Mr. W. W. Bell, formerly vice-president of the Nebraska City National Bank, and for three years cashier of the Bank of the State of Georgia.

**RAISED CHECKS.**—Two decisions of general interest have recently been given by the Supreme Court of Louisiana. In the first case, bank No. 1 certified that a check drawn upon it for \$2,700 was good, and bank No. 2, "not a party to the check," paid it. The check had been fraudulently raised from \$27. The Court says that the loss must fall upon bank No. 1, and lays down this principle:—

"It is the signature and the amount of the check which give it value. It is of no consequence by whom the body of the instrument was written. It often happens that a check is written by a clerk or third person, and signed by the drawer. One of two innocent persons must suffer in this case; it would seem but just that he whose acts have caused the loss should bear it."

In the case of *Helwege vs. Hibernia National Bank*, a check for \$41 was raised by the drawer, after certification, to \$4,150, and passed to plaintiff in the course of business. The Court held the bank liable to pay the full amount. The decision seems to have been based on the ground that the bank was negligent in certifying a check which contained such a blank as to allow the alteration to be made without exciting suspicion. Testimony was given by experts that if the blank had been scored with a pen, the mark could not have been erased so as to leave no traces.

**MARYLAND.**—All bills of lading and warehouse receipts, issued in Maryland, or which, being executed elsewhere, provide for delivery in that State, are, by a recent law, made negotiable instruments, and their transfer conveys title to any *bona fide* holder for value, free from any rights or equities existing between the original parties, or other prior holders.

**LIABILITY OF CORPORATIONS FOR FRAUDULENT ISSUES OF STOCK.**—The case of the National Union Bank of Maryland against the Parkersburg Branch R.R. (Baltimore and Ohio), in the U. S. District Court, Judge Giles presiding, was decided on April 26, in favor of the bank. Similar verdicts were directed in seven other cases against the company, the total amount involved in the eight cases being about \$95,000. These suits grew out of the transactions of Crawford, treasurer of the company some years ago, who induced P. G. Van Winkle, then president, while under the influence of liquor, to sign blank certificates of stock, which were afterward filled up by Crawford, and negotiated.

**BROOKLYN.**—The late paying teller of the Fulton Bank of Brooklyn, Beriah P. Rogers, who disappeared with \$25,000 of the bank's funds, and was arrested in Tennessee, was tried in the Kings County Sessions, and pleaded guilty. On May 22 he was sentenced to one year in the Penitentiary. The money was all repaid to the bank.

**LOWELL CLEARING-HOUSE.**—In the month of March, the banks of Lowell undertook, as an experiment only, to test the advantage of a Clearing-House for their daily settlements. The result, after a month's trial, was so satisfactory that they unanimously agreed to its continuance, and have contributed \$1,500 each, as a permanent deposit with the Clearing-Bank, for a Clearing-House fund. The membership comprises all the banks of the city, seven in number, viz.: The Appleton, First, Merchants', Old Lowell, Prescott, Railroad, and Wamesit National Banks. Its Officers are:—J. F. Kimball, Chairman; Geo. B. Allen, Vice-Chairman; A. A. Coburn, Secretary. Clearing Committee: C. M. Williams, C. W. Eaton, and G. W. Knowlton. The Railroad National is at present the Clearing Bank, and its Cashier, J. S. Hovey, is the Manager of the Clearing-House. The messengers of the several banks meet at 11 A. M. daily. Balances are settled by check on Boston or New York. The time consumed in making the settlements averages only about ten minutes.

**ST. LOUIS.**—The Bank of the West has discontinued its business and gone into liquidation. There is no failure, its depositors being invited to call at once and withdraw their deposits,—those payable at a future time, as well as those on demand.

**NEW HAMPSHIRE.**—Hon. Isaac Spalding, of Nashua, N. H., died on May 14, at the age of eighty years. He was for more than twenty-five years President of the Nashua Bank, a State institution which wound up its affairs in 1869, having never made a bad debt or lost a dollar. Mr. Spalding had filled many offices of trust and honor, and for a long time has been considered the wealthiest man in the State.

**NEW YORK.**—The bankrupt estates of William M. Graham and Charles H. Horton, the President and the Cashier of the broken Wallkill National Bank, have paid respectively five and three per cent. dividends. The bankruptcy expenses (including a commission to take Horton's testimony in Europe), are over \$14,000, being 38 per cent. of the value of the estates. The bank recovered \$14,000 out of \$350,000.

**CANADA.**—The *Montreal Herald* says that the balance of trade against Canada, for the first quarter of the year, is less than during the same period of 1875. The total imports amounted to \$18,552,611, and the exports to \$6,682,860. For the corresponding period of 1875 the imports amounted to \$20,877,849, and exports to \$4,941,151; that is to say, the balance against Canada in 1875 was \$15,936,698, while in 1876, with an extraordinary export in February, in anticipation of tariff change, the balance was reduced to \$11,869,751.

**BANK OF MONTREAL.**—The statement of the Bank of Montreal, for the year ending April 30, shows profits, after deducting expenses and all bad and doubtful debts, of \$1,838,679, more than 15½ per cent. of the paid up capital. This is very satisfactory, in view of the state of commercial affairs during the year. The paid up capital is \$11,980,000; rest, \$5,500,000; circulation, \$3,270,000; deposits, \$14,500,000; bills and notes discounted, \$27,000,000.

**CONSOLIDATION.**—The City Bank of Montreal, and the Royal Canadian Bank of Toronto, have united their forces and their business under the name of The Consolidated Bank, its head office being at Montreal. The new bank will be under the management of Sir Francis Hincks, late president of the City Bank, whose financial ability is widely and favorably known. It is expected that the cashier of the City Bank will succeed to the same office in the Consolidated, while the president of the Royal Canadian will be one of the new Board of Directors, and its cashier will fill one of the principal positions of the new bank. The united capital of the two institutions, by the statements of March 1, was \$3,475,000; the circulation \$1,180,000; deposits \$3,911,600; discounts \$7,514,000. The new consolidated bank will therefore be an important institution, and begins its career with the advantages of a good connection in Montreal and the West, and of ample training and experience on the part of its managers.

**MERCHANTS' BANK OF CANADA.**—The change contemplated some months ago by associating Mr. Watson, manager of the branch of the institution in New York, with the general management at the head office here, will not be carried out. Mr. Watson will remain in the position he now holds, and Mr. Ingram, the latter's assistant, will take the position of assistant general manager of the head office. Mr. Chipman will remain manager of the local branch. There will also be a change in the inspection department, by adding one or two to share the work with Mr. Robertson, the present inspector.—*Montreal Herald*.

**CHANGE OF NAME.**—The name of the St. Lawrence Bank, of Montreal, is to be changed to the "Standard Bank." The capital is to be reduced twenty-five per cent. The bank is shortly to be removed to suitable premises in one of the best localities in the city.

**THE STROUSBERG FAILURE.**—According to the German financial papers, the claims of creditors against the estate of Henry Strousberg, have reached 1,101. Some of these might be reduced, and some perhaps are inadmissible altogether, but it is reckoned that the total liabilities counting against the estate will reach at least £2,000,000. There are assets realized to the amount of about £19,000, and by careful management £60,000 may be realized, although £30,000 appears to be thought the more probable figure. In these circumstances there is not likely to be any dividend at all for unsecured creditors, and, after the expenses attending liquidation have been met, probably very little for those whose claims have some sort of priority through the nominal security held.—*London Times*.

---

#### UNITED STATES SUPREME COURT DECISIONS.

**THE ESTATE OF JAY COOKE & Co. AND THE CLAIM OF THE NAVY DEPARTMENT.**—E. M. Lewis, trustee of Jay Cooke & Co., *vs.* the United States. In this case the Court affirm the right of the Government to apply the proceeds of the collaterals placed in the hands of its agents in September, 1873, by Jay Cooke, McCulloch & Co. of London, as disbursing agents of the Navy Department, as security for deposits then in their hands, to the payment of later debts arising in the same way, and decide that for the balance due in October (about £132,000) the Government is entitled to a priority out of the separate estate of such members of the firm of Jay Cooke & Co. as were also members of the firm of Jay Cooke, McCulloch & Co. The United States are in nowise bound by the provisions of the Bankrupt Act in the matter, and the objection that the claim of the Government was not proved in the bankruptcy proceedings is therefore without force. The case is that of a trust fund, the trustee holding and the beneficiary claiming, and this gave the Circuit Court original and plenary jurisdiction.

**LIABILITY OF BANKERS TO TAX AS BROKERS.**—Warren *et al.* *vs.* Shook, late Collector of Internal Revenue. The plaintiffs in error paid their tax as bankers, but as they bought and sold stocks, &c., on account of others as well as on their own account, it is held that they are brokers within the meaning of the Revenue laws, and as such liable to the tax of one-twentieth of one per cent. on all transactions whether on their own behalf or that of others. The form of business done, it is said, comes within the terms of the act subjecting to this tax all brokers, and bankers doing business as brokers.

**ENFORCEMENT OF MUNICIPAL BONDS.**—Lower *vs.* the United States *ex rel.* Marcy. The petitioner sought to have the Board of Auditors of the town of Ohio, in Bureau County, Illinois, satisfy a judgment which had been recovered against the township on certain municipal bonds. The answer was, that by a law of the State demands on the bonds in question were payable at the Treasury of the State. It is here held that the law in question did not require the holder to look alone to the Treasury for payment. The judgment is modified so as to direct the allowance of the judgment by the Board of Town Auditors.

## NATIONAL BANKS OF THE UNITED STATES.

March, 1876.

Abstract of reports made to the Comptroller of the Currency, showing the condition of the National Banks of the UNITED STATES, at the close of business on March 10, 1876, and also on March 1, 1875, and February 27, 1874.

LIABILITIES.	1876. March 10. 2,090 banks.	1875. March 1. 2,027 banks.	1874. February 27. 1,975 banks.
Capital stock paid in.....	\$ 504,768,666	\$ 496,172,901	\$ 490,859,901
Surplus fund.....	133,089,012	131,242,602	123,497,347
Undivided profits.....	51,179,096	51,645,885	50,236,919
National bank notes outstanding*	307,431,155	324,618,914	339,602,955
State bank notes outstanding....	701,075	824,876	1,078,988
Dividends unpaid.....	1,405,829	1,600,755	1,291,055
Individual deposits.....	620,649,728	647,667,627	595,350,334
United States deposits.....	6,606,394	7,961,648	7,276,959
U. S. disbursing officers.....	4,313,915	5,324,949	5,034,624
Due to National banks.....	139,407,880	137,716,424	138,435,388
Due to State banks and bankers.	54,002,131	55,294,663	48,112,223
Notes and bills re-discounted....	4,631,882	4,841,600	3,448,828
Bills payable.....	6,049,566	4,786,436	4,275,002

Aggregate Liabilities.. \$1,834,236,333 \$1,869,699,285 \$1,808,500,529

## RESOURCES.

Loans and discounts.....	\$945,868,248	\$951,744,432	\$897,859,600
Overdrafts.....	4,381,922	4,656,098	.....
U. S. bonds to secure circulation.	354,497,750	380,582,650	389,614,700
U. S. bonds to secure deposits...	14,246,500	14,242,200	14,600,200
U. S. bonds on hand.....	25,910,650	18,262,150	11,043,400
Other stocks, bonds, & mortgages	30,425,430	28,267,531	25,305,736
Redeeming and reserve agents...	99,066,007	89,985,032	101,502,861
Due from other National banks..	42,333,421	44,713,922	36,624,001
Due from State banks & bankers.	11,180,008	12,724,194	11,496,711
Real estate, furniture and fixtures	41,935,600	39,424,280	36,043,741
Current expenses and taxes paid	8,295,055	7,788,564	6,998,875
Premiums paid.....	10,841,294	8,987,462	8,741,028
Checks and other cash items.....	9,517,473	11,733,476	10,269,955
Exchanges for Clearing-Houses..	58,863,182	81,127,796	62,768,119
Bills of other National banks.....	18,535,236	18,876,558	20,003,251
Bills of State banks.....	.....	30,922	.....
Fractional currency.....	3,215,197	3,008,148	2,309,919
Specie on hand.....	29,077,345	16,667,023	33,365,863
Legal-tender notes.....	76,763,446	78,497,520	102,717,563
U. S. certif. for legal-tender notes	30,785,000	37,230,000	37,235,000
5 per cent. Redemption Fund....	15,623,008	16,712,212	.....
Due from U. S. Treasurer.....	2,874,554	4,437,107	.....

Aggregate Resources .. \$1,834,236,333 \$1,869,699,285 \$1,808,500,529

The statement of 1876 is exclusive of one bank, and that of 1875 of two banks, from which reports had not been received in time for inclusion.

\* The amount of circulation outstanding on March 10, 1876, as shown by the books of the Comptroller's office, was \$341,932,076, which amount includes the notes in circulation of banks which have failed, are in liquidation, or have deposited legal-tender notes under Act of June 30, 1874.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List; continued from May No., page 906.)

MAY, 1876.

State.	Place and Capital.	Bank or Banker.	N. Y. Correspondent and Cashier.
	N. Y. city....	Wm. W. Wakeman & Co.	.....
ARK....	Hot Springs..	Valley Exchange Bank....	.....
CAL....	Solano.....	Bank of Dixon.....	.....
	\$106,250	James Miller, Pr.	W. G. Wyman, Cas.
FLA....	Jacksonville..	Florida Savings Bank.....	Nassau Bank.
		James H. Paine, Pr.	J. C. Greeley, Tr.
GA....	Atlanta.....	State Savings Bank.....	R. T. Wilson & Co.
	\$50,000	G. W. Handy, Pr.	W. W. Bell, Cas.
"	Gainesville...	Brown Brothers & Co.....	.....
ILL....	Casey.....	The Casey Bank.....	National Park Bank.
"	Milford.....	Donovan & Vennum.....	Gilman, Son & Co.
IND....	Zionsville....	Citizens' Bank.....	First Nat. Bank, Indianapolis.
		George W. Norwood, Pr.	S. K. Hardy, Cas.
"	Kellogg.....	Packard & Powers.....	Gilman, Son & Co.
IOWA...	Charles City.	Reiniger & Balch.....	Ninth National Bank.
"	Guthrie.....	James M. Moore & Co....	Kountze Brothers.
KAN....	Olathe.....	The Hayes Bank.....	Gilman, Son & Co.
KY....	Paris.....	Agricultural Bank of Paris.	Bank of America.
	\$50,000	H. M. Roseberry, Pr.	Henry Spears, Cas.
MICH...	Milford.....	Merchants' Bk. of Milford.	Ninth National Bank.
"	Mt. Clemens.	John W. Porter & Co....	Continental National Bank.
MINN...	Blooming		
	Prairie	Whitton & Haley.....	Gilman, Son & Co.
Miss...	Sardis.....	Bank of Sardis.....	.....
		G. W. Ballantine, Pr.	W. H. Hall, Cas.
Mo....	Grant City...	Worth County Bank.....	Donnell, Lawson & Co.
		Joseph M. Hammett, Pr.	J. F. Collins, Cas.
N. Y...	Hammondspt	Bank of Hammondsport. }	Tenth National Bank.
		Ainsworth & Co..... }	
OHIO..	Ottawa.....	Ottawa Exchange Bank...	First National Bank.
PA....	Souderton....	Union National Bank.....	.....
		Isaac C. Gerhart, Pr.	Jacob C. Landes, Cas.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

Authorized April 28 to May 23, 1876.

No.	Name and Place.	President and Cashier.	Authorized.	Paid.
2333	Union National Bank, Souderton, PA.	Isaac C. Gerhart..... Jacob L. Landes.	\$90,000	\$68,000



## CHANGES OF PRESIDENT AND CASHIER.

(Monthly List; continued from May No., page 908.)

MAY, 1876.

	<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
N.Y.	City. Nat. Butchers & Drovers' Bk.	D. Pearsall, <i>Pr. pro tem.</i>	Robert P. Perrin.*
ALA...	National Bank of Birmingham.	William Berney, <i>Cas.</i>	R. B. Jones.
CONN..	City National Bank, Bridgeport.	J. F. Fayerweather, <i>Cas.</i>	R. T. Clarke.
DEL...	First National Bank, Dover...	N. B. Smithers, <i>Pr.</i>	Isaac Jump.
GA....	Bank of the State of Ga., Atlanta	William L. Peel, <i>Cas.</i>	W. W. Bell.
ILL...	First National Bk., Mason City	R. W. Porter, <i>Pr.</i>	G. H. Campbell.
"	First National Bank, Elgin.....	J. C. Bosworth, <i>Pr.</i>	W. L. Pease.
"	Farmers' National Bank, } Princeton. }	E. R. Virden, <i>Pr.</i> Clark Gray, <i>Cas.</i>	H. H. Ferris. W. W. Ferris.
IND....	Tell City Nat. Bank, Tell City.	Ferd. Becker, <i>Pr.</i>	Charles Steinauer.
"	First National Bank, Liberty...	James Corrington, <i>Pr.</i>	W. W. Sullivan.
IOWA..	First National Bank, Clarinda..	S. West, <i>Cas.</i>	A. B. Cramer.
KAN...	State Savings Bank, } Topeka. }	Charles N. Rix, <i>Cas.</i> J. P. Ennis, <i>V. Pr.</i>	J. P. Ennis. Charles N. Rix.
KY....	Citizens' Nat. Bank, Winchester	J. R. Wornall, <i>Pr.</i>	R. N. Winn.
MASS..	Fourth National Bank, Boston.	F. N. Robbins, <i>Cas.</i>	M. E. Bennett.*
"	Merchants' Nat. B., Newburypt	A. W. Greenleaf, <i>Cas.</i>	G. P. Stone.
ME....	Cumberland Nat. Bk., Portland	J. W. Deering, <i>Act. Pr.</i>	A. Conant.*
MICH..	First National Bank, Allegan...	F. G. Truesdell, <i>Cas.</i>	G. B. Robinson.
"	First National Bank, Marquette	Herman E. Pearse, <i>Cas.</i>	C. H. Call.
MO....	Bremen Savings Bk., St. Louis.	F. Kaltmayer, <i>Cas.</i>	D. Affleck.*
N. H..	First National Bank, } Francestown. }	John D. Butler, <i>Pr.</i> Thos. B. Bradford, <i>Cas.</i>	A. B. Woodward. Mark Balch.
"	Nat. Mech. & Tr. Bk., Ports'm'th	John Sise, <i>Pr.</i>	L. Treadwell.
N. J...	Hunterdon Co. N.B., Flemingt'n	John B. Hopewell, <i>Pr.</i>	C. C. Dunham.
"	Second National Bank, } Jersey City. }	W. Hogencamp, <i>Pr.</i> E. N. Wilson, <i>Cas.</i>	B. Wilson. W. Hogencamp.
N. Y..	First Nat. Bank, St. Johnsville.	N. G. Dodge, <i>Cas.</i>	DeWitt C. Cox.
OHIO..	First National Bank, } Cambridge. }	S. J. McMahon, <i>Pr.</i> A. C. Cochran, <i>Cas.</i>	S. B. Clark. S. J. McMahon.
"	First National Bank, Bridgeport	W. T. Graham, <i>Cas.</i>	John C. Tallman.*
"	Second Nat. Bank, Cleveland..	Joseph Perkins, <i>Pr.</i>	H. Garretson.*
"	The Bank of } North Lewisburg. }	W. D. Sibley, <i>Pr.</i> S. S. Callendar, <i>Cas.</i>	H. Haines. James Carter.
"	Farmers' Nat. Bk., Greenville..	H. W. Emerson, <i>Pr.</i>	W. A. Weston.
PA....	First National Bank, Scranton..	Jos. J. Albright, <i>Pr.</i>	J. H. Scranton.
"	First National Bank, Hanover..	J. H. Alleman, <i>Cas.</i>	C. W. Forney.
"	Merch. & Mech. Bank, Scranton	John T. Richards, <i>Cas.</i>	R. T. McCabe.
TENN..	First National Bank, Bristol....	John G. King, <i>Pr.</i>	H. S. Kane.
TEX...	First National Bank, Travis....	J. T. Brackenridge, <i>Cas.</i>	R. J. Brackenridge.
Vt....	National White River Bank, } Bethel. }	Nelson Gay, <i>Pr.</i> F. P. Holden, <i>Cas.</i>	R. H. Tupper. H. C. Tennant.
VA....	Planters' Nat. Bank, Danville..	W. D. Bethell, <i>Pr.</i>	John B. Davis.
W. VA.	Nat. Exchange Bank, Weston..	R. J. McCandlish, <i>Pr.</i>	R. P. Camden.

\* Deceased.

## DISSOLVED, DISCONTINUED, OR CHANGED.

(Monthly List; continued from May No., page 907.)

*New York City*; The Loaner's Bank, suspended.ALA..... Beecher & Co., *Montgomery*; failed.D. C.... Sherman & Grant, *Washington*; discontinued.ILL..... Leonard & Blossom, *Pekin*; succeeded by F. W. Leonard & Co." .... A. B. Miner & Co., *Wyoming*; closed.IOWA.... First National Bank, *Atlantic*; succeeded by Bank of Atlantic." .... Fairfield & Balch, *Charles City*; succeeded by Reiniger & Balch." .... R. K. Eastman & Co., *Clarion*; succeeded by Wright County Bank." .... Bank of Dyersville, *Dyersville*; Koch Brothers, succeeded by H. Koch." .... Bank of Fort Madison, *Fort Madison*; suc. by German-American Bank." .... L. Manwell, Tracy & Co., *Guthrie*; suc. by James M. Moore & Co.KAN..... Ketcham & Co., *Chetopah*; succeeded by Lee Clark." .... C. C. Hutchinson & Co., *Hutchinson*; succeeded by Reno State Bank.MO..... Linville & Wilson, *Edina*; succeeded by Bank of Edina." .... Munn & Farwell, *Grant City*; succeeded by Worth County Bank." .... George H. Greenleaf, *Lebanon*; title changed to Laclede County Bank." .... Bank of the West, *St. Louis*; in liquidation." .... Security Savings Bank, *St. Louis*; consolidated with Manfrs'. Sav. Bank.N. J..... Hyde-Clarke & Co., *Jersey City*; discontinued.N. Y.... Bank of Silver Creek, *Silver Creek*; suc. by Silver Creek Banking Co.OHIO.... Kenton Bank, *Kenton*; assigned." .... Warren Savings Bank, *Warren*; suspended.PENN... Lloyd, Cassatt & Co., *Philadelphia*; succeeded by Cassatt & Co." .... W. G. Hopper, *Philadelphia*; succeeded by Wm. G. Hopper & Co.TEXAS... J. B. Jones & Co., *Corriscana*; closed." .... T. W. & J. M. Daugherty, *Denton*; succeeded by T. W. Daugherty." .... Smith & Wynne, *Huntsville*; succeeded by Smith & Oliphant." .... J. M. Brownson, *Victoria*; succeeded by Brownson & Co.

## THE PREMIUM ON GOLD AT NEW YORK,

APRIL—MAY, 1876.

1875.	Lowest.	Highest.	1876.	Lowest.	Highest.	1876.	Lowest.	Highest.
May .....	15	16 $\frac{3}{4}$	Apr. 26 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$	May] 11 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$
June .....	15 $\frac{1}{4}$	17 $\frac{3}{4}$	.. 27 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$	.. 12 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$
July .....	11 $\frac{3}{4}$	17 $\frac{3}{4}$	.. 28 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$	.. 13 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$
August ..	12 $\frac{3}{4}$	14 $\frac{3}{4}$	.. 29 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$	.. 15 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$
September	13 $\frac{3}{4}$	17 $\frac{3}{4}$	.. May 1 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$	.. 16 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$
October ..	14 $\frac{3}{4}$	17 $\frac{3}{4}$	.. 2 ..	12 $\frac{1}{2}$	13	.. 17 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$
November	14 $\frac{3}{4}$	16 $\frac{3}{4}$	.. 3 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$	.. 18 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$
December	12 $\frac{3}{4}$	15 $\frac{3}{4}$	.. 4 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$	.. 19 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$
1876.			.. 5 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$	.. 20 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$
January ..	12 $\frac{3}{4}$	13 $\frac{3}{4}$	.. 6 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$	.. 22 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$
February ..	12 $\frac{3}{4}$	14 $\frac{3}{4}$	.. 8 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$	.. 23 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$
March .....	13 $\frac{3}{4}$	15	.. 9 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$	.. 24 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$
April .....	12 $\frac{1}{2}$	13 $\frac{3}{4}$	.. 10 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$	.. 25 ..	12 $\frac{1}{2}$	12 $\frac{3}{4}$

## PUBLIC DEBT OF THE UNITED STATES.

*Recapitulation of the Official Statements (cents omitted).*

## DEBT BEARING INTEREST IN COIN.

	April 1, 1876.		May 1, 1876.
Bonds at six per cent. ....	\$984,999,650	..	\$984,999,650
Bonds at five per cent. ....	710,037,600	..	710,041,800
	<u>\$1,695,037,250</u>	..	<u>\$1,695,041,450</u>

## DEBT BEARING INTEREST IN LAWFUL MONEY.

Navy pension fund at 3 per cent. ....	\$ 14,000,000	..	\$ 14,000,000
Debt on which interest has ceased .....	9,183,360	..	8,414,270

## DEBT BEARING NO INTEREST.

Old demand and legal-tender notes .....	\$ 370,823,645	..	\$ 370,596,038
Certificates of deposit .....	34,230,000	..	33,665,000
Fractional currency .....	42,604,893	..	40,860,039
Coin certificates .....	32,337,600	..	27,975,700
	<u>\$ 479,996,139</u>	..	<u>\$ 473,096,777</u>
Total debt .....	\$ 2,198,216,749	..	\$ 2,190,552,498
Interest .....	26,455,110	..	33,817,375
TOTAL DEBT, principal and interest .....	<u>\$ 2,224,671,860</u>	..	<u>\$ 2,224,369,873</u>

## CASH IN THE TREASURY.

Coin. ....	\$ 73,756,794	..	\$ 77,605,428
Currency .....	5,965,626	..	5,161,186
Special deposit held for redemption of certificates of deposit, as provided by law ..	34,230,000	..	33,665,000
	<u>\$ 113,952,420</u>	..	<u>\$ 116,431,615</u>
Debt, less cash in the Treasury, Apr. 1, '76	\$ 2,110,719,439	..	.....
Debt, less cash " " May 1, '76		..	<u>\$ 2,107,938,258</u>
Decrease of debt during the past month ..	\$ 4,240,866	..	\$ 2,781,181
Decrease of debt since June 30, 1875 ....	17,969,286	..	20,750,467

## BONDS ISSUED TO THE PACIFIC RAILWAY COMPANIES, INTEREST PAYABLE IN LAWFUL MONEY.

Principal outstanding .....	\$ 64,623,512	..	\$ 64,623,512
Interest accrued and not yet paid .....	969,352	..	1,292,470
Interest paid by the United States .....	30,141,513	..	30,141,513
Interest repaid by transportation of mails, &c.	6,781,012	..	6,787,672
Balance of interest paid by the U. S. ..	<u>\$ 23,360,500</u>	..	<u>\$ 23,353,840</u>

## NOTES ON THE MONEY MARKET.

NEW YORK, MAY 22, 1876.

*Exchange on London at sixty days' sight, 4'88 a 4'88½, in gold.*

The general disposition in the financial circles is rather more cheerful. The Centennial Exposition has opened very encouragingly, and as the foreign newspapers are taking up the subject, the expectation is indulged that the aggregate of visitors will be much augmented. There is no doubt that extravagant anticipations have been common as to the stimulus which this auspicious meeting of the nations in our chief cities was likely to give to finance and trade. But still the industrial benefits of the Exposition will no doubt be considerable and permanent, although they may fall short of the general expectation. A multitude of the more intelligent classes of European investors will be able to see this country and its institutions with their own eyes. The reports they will carry home with them can scarcely fail to give an impetus to 'that' growing appreciation of American securities which is slowly making its way in Europe. As an indication of this progress we may mention that we lately had occasion to consult the report of one of the most conservative and prosperous of the English provincial banks, and we found American Government securities set down in its schedule of investments for \$50,000. This incident confirms what has been often demonstrated in our columns, that the prospects of an increasing sale of our Government bonds in England have scarcely ever been better than of late.

The money market is quiet, and without any conspicuous features of importance. There is every indication that until the fall there will be little interruption of the existing ease, although the rates for money may now and then harden under the impulse of local and temporary causes. Money is offering at 2 per cent in exceptional cases, but the ordinary rates are 3 to 4 per cent., with a fair amount of business doing at 5. Some anxiety has been manifested to know whether the 28 millions of greenbacks temporarily locked up by the deposits of National banks to withdraw their circulation are held in the Treasury. Treasurer New says they are so held. But it seems that they are not deposited as the bonds were which they replace. These 28 millions of greenbacks are held in the vaults of the Treasury, with the other greenbacks constituting the Treasury balance. It is evident, however, that the expectation of possible stringency from this cause has little foundation. The New York Clearing-House banks have been losing their legal tenders, but are now regaining them, as will be seen from the subjoined table.

The New York bank aggregates for the past week compare as follows with those preceding:

	<i>Loans.</i>	<i>Specie.</i>	<i>Legal Tenders.</i>	<i>Circulation.</i>	<i>Deposits.</i>	<i>Exchange.</i>
Ap. 29, '76.	\$ 252,117,200	\$ 17,076,600	\$ 43,089,300	\$ 16,262,800	\$ 202,529,100	\$ 370,725,103
May 6....	257,015,600	19,804,400	39,182,200	16,199,400	205,669,000	417,771,302
" 13....	255,808,800	18,881,000	42,643,400	16,140,500	207,900,300	381,427,075
" 20....	253,210,500	18,399,300	45,689,800	16,112,700	217,993,500	345,609,496

The following are the changes of the banks of the Boston Clearing-House:

1876.	<i>Loans.</i>	<i>Specie.</i>	<i>Legal Tenders.</i>	<i>Deposits.</i>	<i>Circulation.</i>
Apr. 29.....	\$ 129,852,800	\$ 1,894,200	\$ 7,314,800	\$ 78,110,000	\$ 22,743,400
May 6.....	131,191,400	1,968,600	7,198,300	79,351,400	22,975,000
" 13.....	130,847,000	1,866,600	6,760,600	77,979,100	22,758,300
" 20.....	130,091,900	1,861,300	6,587,800	76,864,000	23,005,500

The Philadelphia Clearing-House statements are reported for several weeks past as follows:

1876.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Apr. 29.....	\$ 61,474,249 ...	\$ 453,098 ...	\$ 13,175,120 ...	\$ 47,954,649 ...	\$ 10,373,015
May 6.....	61,222,736 ...	577,760 ...	13,287,559 ...	48,029,285 ...	10,384,032
" 13.....	61,223,757 ...	595,563 ...	13,048,517 ...	48,327,508 ...	10,431,448
" 20.....	60,278,965 ...	535,927 ...	13,336,608 ...	48,101,129 ...	10,342,399

The Stock Exchange shows little animation. Governments are firm, but speculation stocks are feverish and unsettled, with a downward tendency. Gold is quiet but closes dull, the supply on market being somewhat in excess of the demand. We append our usual quotations:

QUOTATIONS:	Apr. 27.	May 2.	May 8.	May 15.	May 22.
Gold.....	112 3/4 ..	112 3/4 ..	112 3/4 ..	112 3/4 ..	112 3/4 ..
U. S. 5-20s, 1867 Coup.	121 1/4 ..	121 3/4 ..	121 ..	121 ..	121 1/4 ..
U. S. Fives 1881 Coup.	118 3/4 ..	117 1/4 ..	117 3/4 ..	117 3/4 ..	117 3/4 ..
N. Y. C. & Hudson R.	112 1/4 ..	112 ..	110 1/4 ..	110 1/4 ..	110 1/4 ..
Lake Shore.....	55 3/4 ..	52 3/4 ..	54 3/4 ..	54 3/4 ..	52 3/4 ..
Chicago & Rock Island	103 3/4 ..	104 ..	104 3/4 ..	105 3/4 ..	105 ..
New Jersey Central...	97 1/4 ..	98 ..	96 3/4 ..	94 1/4 ..	81 1/4 ..
Erie.....	15 3/4 ..	14 3/4 ..	15 ..	14 3/4 ..	13 1/4 ..
Pacific Mail.....	19 3/4 ..	20 ..	19 3/4 ..	20 3/4 ..	24 3/4 ..
Union Pacific.....	64 ..	64 3/4 ..	63 3/4 ..	62 3/4 ..	60 3/4 ..
North Western.....	39 3/4 ..	40 3/4 ..	40 ..	40 3/4 ..	39 3/4 ..
West. Union Tel. Co..	65 3/4 ..	64 ..	66 3/4 ..	66 3/4 ..	65 3/4 ..
Bills on London.....	4.87 1/4-4.89 1/4 ..	4.88-4.90 ..	4.88 1/4-4.90 1/4 ..	4.88-4.90 ..	4.88-4.89 3/4 ..
Call loans .....	3 1/2 ..	3 1/2 ..	3 1/2 ..	3 1/2 ..	3 1/2 ..
Discounts .....	4 1/2 ..	4 1/2 ..	4 1/2 ..	4 1/2 ..	4 1/2 ..
Treasury balances, cur.	\$ 36,459,392 ..	\$ 41,649,388 ..	\$ 39,068,577 ..	\$ 37,787,206 ..	\$ 36,527,996
Do. do. gold	53,120,006 ..	46,413,309 ..	43,204,742 ..	42,374,476 ..	41,017,657

Among the changes which are conspicuous in the money market, one of the most notable is the smaller amount of money lending on call by the savings banks. During the war the high rates paid for money in Wall Street stimulated among the savings banks the bad habit which had previously been kept in check, of lending money on all kinds of miscellaneous securities. During the period of inflation no heavy losses counterbalanced the large profits which were thus realized, but when the fever of expansion had run its course, and the inevitable languor of reaction set in, some of the institutions which had been less fortunate than their neighbors were seriously crippled. The Third Avenue Savings Bank of this city offers a suggestive illustration. In 1870, its deposits, which were formerly 8 or 9 millions, ran down to 5 millions, under a report of losses from large loans on the stocks of Atlantic Mail and some other companies; in January, 1873, its deposits had fallen to \$1,435,831, against \$5,081,325 for 1872. The bank is now being wound up, and the too credulous depositors will probably lose two-thirds of their money. Several other savings banks have been placed in the hands of receivers during the last year, and are now in process of liquidation. They are The People's Savings Bank, with liabilities of \$200,131, and a deficit of \$42,779; The Mutual Benefit Savings Bank, with liabilities of \$440,000 and a deficiency of \$22,889; The Security Savings Bank, with liabilities of \$374,449; The German Up-town Savings Bank, with liabilities of \$997,622, and The Central Park, with liabilities of \$40,000. In the last three banks the amount of the deficiency is variously reported. Of course the failure of these institutions is due to various causes, and the lending of money on doubtful stocks is not so conspicuous elsewhere as in the Third Avenue Savings Bank. Still it is to be feared that a good deal of money has been lost in this way by the savings banks. Hence it is a gratifying circumstance that such loans are prohibited

under the general savings bank law of last year. Of this statute, Mr. Ellis, the Superintendent of the Banking Department, speaks as follows in his last report: "The general effect may be seen in the improved character of the securities held by the banks, as shown by their reports, and more particularly in the item of call loans. A very marked improvement has been made in these. Under the old system, which permitted these loans to be made on all kinds of miscellaneous securities, there was great danger to be apprehended and much actual loss. Under the present law these loans are restricted to such securities as the trustees are permitted to make permanent investments in. This provision removes one of the greatest sources of danger from the system."

The total outstanding circulation of the National Banks, with the amount of bonds deposited in Washington, compare as follows:

Week ending	Notes in circulation.	Bonds for circulation.	Bonds for U. S. deposits.	Total bonds.	Coin in Treasury.	Coin Certificates.
July 24...	\$330,764,469	\$374,753,362	\$18,792,200	\$393,545,562	\$66,906,937	\$22,628,300
Aug. 7...	348,937,939	374,927,862	18,792,200	393,720,062	71,953,412	22,657,200
Aug. 21...	349,130,000	374,788,762	18,792,200	393,580,962	70,738,807	18,561,000
Sept. 11...	347,980,000	373,382,762	18,792,200	392,174,962	66,730,316	16,389,400
Sept. 25...	347,720,223	372,150,762	18,792,200	390,942,962	66,924,152	12,435,000
Oct. 9...	346,769,853	369,797,762	18,782,200	388,573,962	68,724,332	12,477,100
Oct. 16...	346,813,776	368,857,212	18,782,200	387,639,412	70,472,506	12,775,600
Oct. 23...	344,458,128	368,119,917	18,760,000	386,879,917	69,070,408	11,562,300
Oct. 30...	346,805,616	367,799,412	18,730,000	386,529,412	...	...
Nov. 6...	345,797,108	366,658,312	18,730,000	385,388,312	72,042,514	16,069,900
Dec. 18...	343,938,278	364,692,112	18,626,500	383,316,612	69,206,263	21,447,000
Jan. 22...	343,253,577	362,108,062	18,626,500	380,734,562	73,200,709	34,429,000
Feb. 19...	342,557,911	358,428,650	18,621,500	376,050,150	75,031,625	33,786,900
Mar. 21...	340,046,776	355,311,715	18,741,500	374,053,215	69,657,203	34,797,600
Apr. 21...	337,635,219	347,803,350	18,623,000	366,426,350	76,148,711	28,457,600
May 20...	335,197,105	344,883,850	18,623,000	363,506,850	...	...

The alleged appreciation of gold on which economists are beginning to calculate, gives some importance to a discussion at the April meeting of the Paris Political Economy Society, where a statement was made by M. Joseph Garnier, that he had learned from M. Mannequin that gold mines had just been discovered in Spain of such marvelous richness that they might contribute to restore the normal relative value—15½ to 1—between gold and silver. M. Mannequin being present at the Society's meeting, an attempt was made to obtain from him some details of this wonderful discovery, which M. Simonin turned into ridicule, affirming that there were no gold fields in Spain which would pay the expense of working. M. Mannequin, however, refused to communicate the details, on the ground that the mines belonged to private individuals, and that he could not betray the confidential information of which he was the depositary, as a company was now being formed for the purpose of working the mines. M. Mannequin, however, repeated his assertion, and declared that he had by no means exaggerated the richness of this gold field. At the subsequent meeting of the Society on the 5th of May, the subject of the appreciation of gold was not taken up, nor was anything further said as to the Spanish gold mines. The session was otherwise extremely interesting. Among the books presented was a work printed in Italian, and published by "The Adam Smith Society" of Florence. This volume is entitled *Il Riscatto e l'Esercizio delle Strade Ferrate*. It treats, as its title indicates, of the purchase and operation of the railroads. The chief importance of this incident was in the occasion which it gave to M. Garnier to state that "The Adam Smith Society" is the true orthodox society of Italy,—the faithful guardian of sound doctrines of political economy, in opposition to the spurious socialistic bodies which sometimes usurp the name of societies of political economy. The chief discussion of the session was on the teaching of polit-

ical economy in France, and efforts are making to revive it in all the educational institutions. It would be well for some society in this country to attempt a similar reform. In all our schools and in nearly all our colleges there has long been more or less negligence in regard to the study of political economy.

It is perhaps a hopeful sign of the times, that in New York an old scientific society, which has existed for sixty years, has just been re-organized under the name of "The New York Academy of Sciences." The president is Dr. John S. Newberry, of Columbia College. It is greatly to be desired that this scientific body, like its Paris namesake, may add to its list of subjects that of political economy, for in the future development of the United States this science is no doubt destined to be much more systematically studied, to render greater services, and to make more solid progress than ever before. In promoting this work such a society might be extremely useful.

A few days ago a meeting was held in New York to discuss the plan of celebrating the centenary of Adam Smith's *Wealth of Nations*, the last volume of which was published in March, 1776, the first volume having appeared in 1775. In England, we believe, and in France, some arrangements will be made for this purpose. What has been done elsewhere we do not know, but the Brussels Political Economy Society announces that it "will hold a Congress in September next to celebrate the centenary of the publication of Adam Smith's *Wealth of Nations*." The Society proposes then to render account of the advantages which have been given to the world under the influence of the doctrines of Adam Smith, and to consider whether any of those doctrines require to be revised, modified, or rejected.

On the 30th inst. a large number of bank officers will meet to celebrate the opening of the Bankers' Building on the Centennial grounds at Philadelphia. The inauguration discourse will be delivered by one of the oldest and best known of our bankers, Mr. E. G. Spaulding of Buffalo. We expect to present Mr. Spaulding's address to our readers in full next month.

The Committee on Banking and Currency, it is said, will report favorably Mr. Randall's bill for the issue of 25 millions of silver coin in exchange for greenbacks.

---

## DEATHS.

At PORTLAND, MAINE, on Sunday, April 2, aged seventy-five years, ALVAH CONANT, President of the Cumberland National Bank of Portland.

At CAMBRIDGE, MASS., on Friday, May 5, aged thirty-three years, MARCUS E. BENNETT, Cashier of the Fourth National Bank of Boston.

At CLEVELAND, O., on Sunday, May 7, aged fifty-nine years, HIRAM GARRETSON, President of the Second National Bank of Cleveland.

At CHEYENNE, WYOMING, on Tuesday, May 9, aged thirty-eight years, P. H. WILBOR, of the firm of Stebbins, Wilbor & Co.

At IRVINGTON, N. Y., on Sunday, May 14, aged seventy-one years, J. NEWTON PERKINS, the first cashier of the Ohio Life Insurance and Trust Company, and for many years a banker in New York city.

At NASHUA, N. H., on Sunday, May 14, aged eighty years, Hon. ISAAC SPALDING, President of the Nashua Bank for twenty-five years prior to 1869.

At CHICAGO, ILL., on Sunday, May 14, aged thirty-three years, WILLIAM M. SCUDDER, Cashier of the Hide and Leather Bank.

At PERU, IND., on Monday, May 15, aged sixty-four years, F. S. HACKLEY, Vice-President of the First National Bank of Peru.

A<sup>LL</sup>  
H-89





1



